

KENYA REINSURANCE CORPORATION LIMITED

KG

87234

295736

2008

2008 ANNUAL REPORT AND ACCOUNTS



Behind every secure vehicle is an insurance company.
Behind every secure insurance company is Kenya Re.



Kenya Re

Securing our future

B90



Kenya Re

Our Corporate Vision

To be a world class reinsurer and market leader in Africa offering quality reinsurance and ancillary services.

Our Corporate Mission

To provide quality reinsurance and insurance services to our clients in Kenya, the rest of Africa, Middle East and Asia.

We strive to

Be customer-focused and committed to growth, profitability and satisfactory returns to our shareholders through professionalism and use of modern technology.

Continue to attract, develop and retain a pool of qualified and experienced staff so as to maintain our competitive edge.

Be socially responsible and environmentally conscious by observing high ethical standards in our business practices.

Our Values

Kenya Re pledges that all organizational activities and decisions will be based on and guided by the following values:

- Commitment to professionalism
- Customer satisfaction
- Quality service
- Integrity
- Development of human resources
- Social responsibility
- Concern for the environment

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2009/1736

Corporate Information

DIRECTORS

Nelius Kariuki	(Chairman)
Eunice Mbogo	(Managing Director)
J.K. Kinyua	(Permanent Secretary, Treasury)
Mutua Kilaka	(Alternate to J. K. Kinyua)
Jacob Haji Ali	
Dr. Iruki Kailemia	
Everest Lenjo	
Mutwiri Ikiao	
Gladys M. Mboya	

CORPORATION SECRETARY

E. Embeywa
Reinsurance Plaza, Taifa Road
P.O. Box 30271
00100 Nairobi

REGISTERED OFFICE

Reinsurance Plaza
Taifa Road
P.O. Box 30271
00100 Nairobi

AUDITORS

Controller and Auditor General
P.O. Box 30084
00100 Nairobi

CONSULTING ACTUARIES

Alexander Forbes Financial Services
(East Africa) Limited
10th Floor, Landmark Plaza
Argwings Kodhek Road
P.O. Box 52439
00200 Nairobi

BANKERS

Kenya Commercial Bank Limited
Moi Avenue
P.O. Box 30081
Nairobi

National Bank of Kenya Limited
Harambee Avenue
P.O. Box 41862
00100 Nairobi GPO

Citibank N.A
Citibank House, Upper Hill
P.O. Box 30711
00100 Nairobi

Bank of Africa Kenya Limited
Reinsurance Plaza, Taifa Road
P.O. Box 69562
00400 Nairobi

Lloyds TSB Bank PLC
Fenchurch Street Branch
72 Fenchurch Street
London
EC3P3EH, United Kingdom

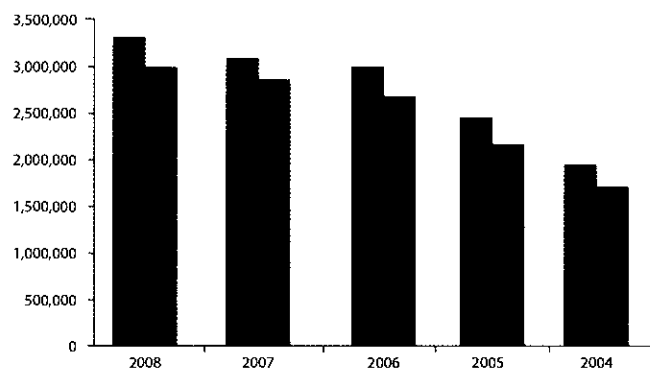
ADVOCATES

Hamilton Harrison and Mathews
ICEA Building, Kenyatta Avenue
P.O. Box 30333
00100 Nairobi GPO

Rachier & Amollo Advocates
Reinsurance Plaza, Taifa Road
P.O. Box 55645
00100 Nairobi GPO

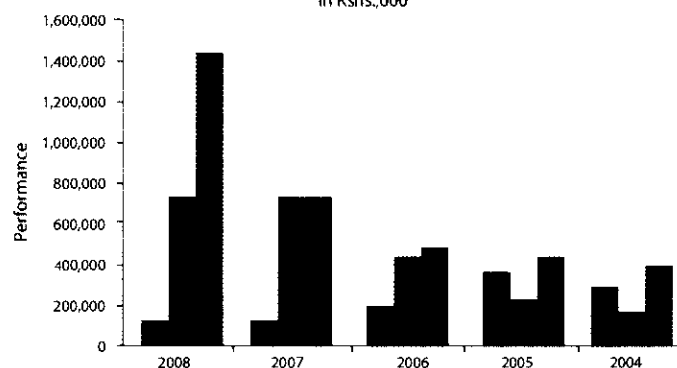
Five Year Performance Analysis

Gross / Net Premiums Written: 2004 - 2008
in Kshs.,000



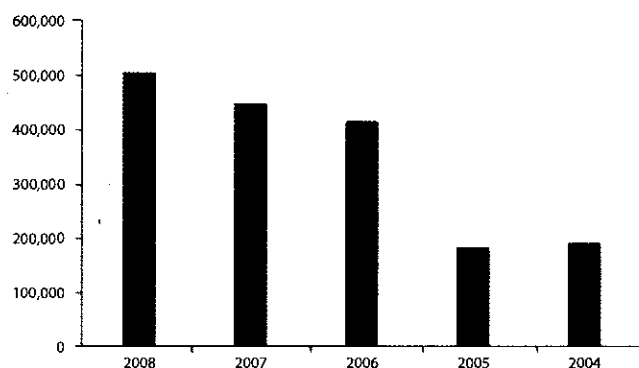
	2008	2007	2006	2005	2004
Gross Premiums Written	3,427,810	3,222,288	3,114,000	2,590,222	2,084,289
Net Premiums Written	3,109,090	2,974,534	2,791,000	2,288,843	1,870,187

Underwriting / Investments Performance: 2004 - 2008
in Kshs.,000



	2008	2007	2006	2005	2004
Underwriting Profit	97,611	93,670	262,482	408,707	347,010
Investment Income	767,563	739,264	499,826	272,657	216,628
Net Profit (Loss) - After Tax	1,481,100	729,264	539,352	469,058	452,503

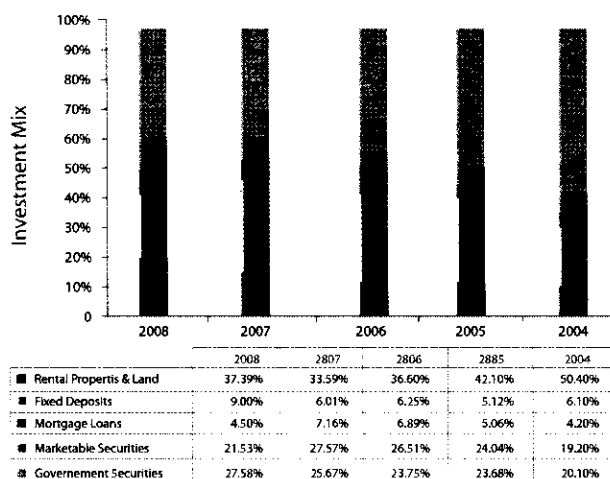
Management Expenses
in Kshs.,000



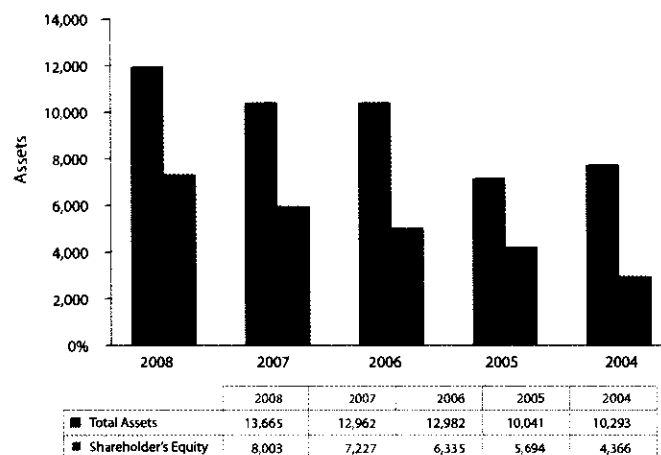
	2008	2007	2006	2005	2004
Management Expenses	530,385	476,240	453,138	201,260	207,137

Five Year Performance Analysis (continued)

Investment Mix: 2004 - 2008



Total Assets/Shareholder's Equity 2004-2008
in Kshs.,000



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Notice of the 11th Annual General Meeting

Notice is hereby given that the **11th ANNUAL GENERAL MEETING OF KENYA REINSURANCE CORPORATION LIMITED** will be held at the Bomas of Kenya, off Langata Road, Nairobi, on **Monday, 22nd June 2009 at 11.00 a.m.** when the following business will be transacted, namely:

AGENDA

1. Constitution of the Meeting
To read the notice convening the Meeting and determine if a quorum is present.
2. To receive, consider and, if approved, adopt the Corporation's audited Financial Statements for the year ended 31st December 2008 together with the Chairman's, Directors' and Auditors' Reports thereon.
3. To declare a first and final dividend of Kshs 0.50 per share, subject to withholding tax where applicable, for the financial year ended 31st December 2008 and approve the closure of the Register of Members on 25th June 2009.
4. Election of Directors
 - a) In accordance with Article 110 of the Company's Articles of Association, Mr. Jacob Ali Haji retires from office as a Director and, being eligible, offers himself for re-election.
 - b) In accordance with Article 110 of the Company's Articles of Association, Dr. Iruki Kailemia retires from office as a Director and, being eligible, offers himself for re-election.
5. To approve the Directors' remuneration.
6. Auditors
To note that the audit of the Corporation's books of accounts will continue to be undertaken by the Controller and Auditor-General or an audit firm appointed by him in accordance with Section 14 of the State Corporations Act (as amended by the Miscellaneous Law Amendment Act 2002) and Sections 14 and 39 (i) of the Public Audit Act 2003.

7. To authorise the Directors to fix the remuneration of the Auditors.
8. To transact any other business which may be properly transacted at an Annual General Meeting.

By Order of the Board.



.....
Corporation Secretary
Kenya Reinsurance Corporation Ltd
15th Floor, Reinsurance Plaza
Taifa Road
P.O. Box 30271 – 00100
Nairobi

NOTES:

1. Any member may by notice duly signed by him or her and delivered to the Corporation Secretary on the above address, not less than 7 days and not more than 21 days before the date appointed for the Annual General Meeting give notice of his intention to propose any other person for election to the Board, such notice to be accompanied by a notice signed by the person proposed of his or her willingness to be elected. The proposed person need not be a member of the Company.
2. A member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company. To be valid, the form of proxy attached to the Annual Report must be duly completed and signed by the member and must be lodged at the registered offices of the Company's Share Registrars, KCB Registrar Services, Kencom House, 7th Floor, P.O. Box 48400-00100 GPO, Nairobi or to be posted, so as to reach KCB Registrars Services not later than 19th June 2009 at 11.00 a.m.

Ilani Ya Mkutano Mkuu wa 11

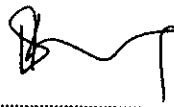
Ilani inatolewa hapa ya kwamba **MKUTANO MKUU WA 11 WA MWISHO WA MWAKA WA SHIRIKA LA KENYA REINSURANCE CORPORATION LIMITED** utafanyika Bomas of Kenya mkabala na Langata Road, Nairobi, siku ya **Jumatatu 22 Juni, 2009 saa tano asubuhi** wakati ambapo shughuli zifuatazo zitakapoendeshwa:

AGENDA

1. Katiba ya Mkutano
Kusoma tangazo la kuanzisha mkutano na kuamua iwapo mkutano unaweza kuendelea kwa kuzingatia idadi ya watu waliohudhuria.
2. Kupokea, kukubali na, kama itaidhinishwa, kupitisha taarifa zilizokaguliwa za kifedha za shirika za mwaka uliomalizikia tarehe 31 Desemba 2008 pamoja na ripoti za Mwenyekiti, Mkurugenzi Mkuu na Mkaguzi wa Kifedha.
3. Kutangaza mgawo wa senti 0.50 wa kwanza na wa pili kwa kila hisa, kabla ya kutolewa kwa ushuru wa malimbikizi pale inapohitajika, kwa kipindi cha mwaka wa kifedha uliomalizikia tarehe 31 Desemba 2008 na kuidhinisha kufungwa kwa rejesta ya wanachama kufikia tarehe 25 Juni 2009.
4. Uchaguzi wa Wakurugenzi Wakuu
 - (a) Kulingana na Kifungu cha 110 cha Kanuni za Ushirika wa Kampuni Bw. Jacob Ali Haji anastaafu kutoka ofisini kama Mkurugenzi, na akiwa anafaa atajitoa kuchaguliwa upya.
 - b) Kulingana na Kifungu cha 110 cha Kanuni za Kampuni Dkt. Iruki Kailemia anastaafu kutoka ofisini kama Mkurugenzi na kuwa kuwa anafaa, anajitoa kuchaguliwa upya.
5. Kuidhinisha Malipo ya Wakurugenzi Wakuu
6. Wakaguzi wa Fedha
Kufahamu ya kwamba ukaguzi wa vitabu vya kifedha wa hesabu za shirika hili utaendelea kusimamiwa na Mkaguzi Mkuu wa Kifedha ama Kampuni ya ukaguzi wa fedha atakayoiteua yeye kulingana na masharti yaliyopo kwenye sehemu ya 14 ya Kifungu cha Sheria ya Mashirika ya Kitaifa (kama ilivyorekebisha katika Sheria ya Ziada ya Kifungu cha Marekebisha cha mwaka wa 2002) na Sehemu ya 14 na 39 (i) cha Sheria ya Ukaguzi wa Umma ya 2003.

7. Kuwaruhusu Wakurugenzi Wakuu kupangilia malipo ya Wakaguzi wa Fedha.
8. Kuendesha shughuli nyinginezo zinazohusiana na ajenda za Mkutano huo Mkuu wa Mwaka

Kwa niaba ya Halmashauri Kuu



Kwa Katibu wa Shirika.

Kenya Reinsurance Corporation Ltd
Orofa ya 15, Reinsurance Plaza
Taifa Road
S.L.P 30271-00100
NAIROBI

MAELEZO ZAIDI:

1. Mwanachama yeyote anaweza kutoa pendekezo la nia yake ya kumchagua mtu kuwa Mkurugenzi wa Halmashauri ya shirika kwa kuandika barua na kuitia sahihi na kisha kuituma kwa afisi ya Katibu Mkuu wa Shirika kupitia anuwani zilizopo hapo juu, sio chini ya siku 7 na zaidi ya siku 21 kabla ya tarehe iliyochaguliwa ya Mkutano Mkuu wa Mwaka. Taarifa kama hiyo inafaa kuambatanishwa na barua iliyotiwa saina na mtu aliyependekezwa kwa nia yake ya kuchaguliwa kama Mkurugenzi. Mtu huyo aliyependekezwa sio lazima awe mwanachama wa kampuni hiyo.
2. Mwanachama aliye na ruhusa ya kuhudhuria na kupiga kura kwenye mkutano na yule asiyeweza kuhudhuria ana ruhusa ya kumteua mtu kwa siri ili kuhudhuria na kuweza kupiga kura kwa niaba yake. Mtu huyo wa siri sio lazima awe mwanachama wa shirika hilo. Ili awe na uhalali, fomu ya wanachama wa siri iliyoambatanishwa kwenye Ripoti ya Kifedha ya Mwaka ni lazima ijazwe na itiwe saina kikamilifu na mwanachama na pia lazima ifikishwe katika afisi za shirika zilizosajiliwa za Msajili wa Hisa wa Shirika, Msajili wa Huduma wa KCB, Jumba la Kencom, Orofa ya 7, S.L.P 48400-00100 GPO, Nairobi au itumwe, ili kumfikia mhusika wa KCB wa Usajili wa Huduma na hivyo basi isipite siku ya Jumanne, tarehe 19 Juni 2009, saa tano asubuhi.

Board of Directors



*Standing (From left to Right): S. Mutwiri Ikiao, Everest Lenjo, Dr. Iruki Kailemia and Gladys Mboya
Sitted (From Right to left): Mutua Kilaka, Nelius Kariuki, Eunice Mbogo and Jacob Haji Ali*

Directors Profiles

MRS. NELIUS KARIUKI - CHAIRMAN

Mrs. Nellius Kariuki joined the Corporation's Board of Directors on 18th December 2003 as a Director. She was then appointed Chairman of the Board of Directors on 4th January 2007. She holds a BA (Economics) and an M.A (Economics) both from the University of Nairobi. She has written Research papers on Public Finance. She resigned from the Civil Service in 1990 at the level of Principal Economist and is currently in private business being a Director of Nelleen Development Company. She is a qualified director and a member of the Institute of Directors of Kenya.

MRS. EUNICE MBOGO - MANAGING DIRECTOR

Mrs. Eunice Mbogo joined the Corporation in March 2007 as a Managing Director. She holds a Bachelor of Commerce degree and a Masters degree in Business Administration from the University of Nairobi. She is an Associate of the Chartered Insurance Institute and a Fellow of the Chartered Insurance Institute. Mrs. Mbogo has wide experience in Insurance industry having previously worked for American Life Insurance Company (Kenya) Limited (Now AIG Kenya Limited) and British American Insurance Company Limited.

EVEREST LENJO - DIRECTOR

Mr. Everest Lenjo joined the Corporation's Board of Directors on 4th January 2007. He holds a BBA (International Trade & Marketing) from City University of New York and an MBA (Corporate Finance) from St. John's University Queens New York. He has worked with Caltex Oil Kenya since 1982 and is currently still working for the company as Regional fuels/Transport Broker.

S. MUTWIRI IKIAO - DIRECTOR

Mr. Ikiao joined the Corporation's Board of Directors on 4th January 2007. He holds a BA (Economics & Government) from University of Nairobi. He has attended the Executive management programme at University of Western Ontario, Canada and the Insurance Management programme at College of Insurance (London). He also has a Banking Diploma from the Institute of Bankers (London). He has successfully completed various postgraduate professional management courses. He has worked in both the Banking and Insurance Industry. He was a Banking Executive between 1976-1981 and a General Manager in Charge of Finance and Administration in Intra Africa Assurance Company Ltd between 1981-2005. He has been a Director in Kenya Industrial Estates (K.I.E) and Williamson Development Co. Ltd and Agricultural Finance Corporation (AFC).

MR. JACOB HAJI ALI - DIRECTOR

Mr. Jacob Haji Ali was a Legal Assistant with ICDC between 1977-1995. He has attended a course in management at K.I.E. Currently he is in private business. He was appointed a Director of the Corporation on 18th December 2003. His appointment as Director was extended for another three years from 4th January 2007.

Dr. Iruki Kailemia - DIRECTOR

Dr. Iruki Kailemia was appointed a Director of the Corporation on 18th December 2003. His appointment as Director was extended for another three years from 4th January 2007. He holds a Bachelors Degree in Pharmacy from Nairobi University. He has been a Pharmacist at Kenyatta National Hospital and a Marketing Manager at Sandoz Pharmaceuticals Ltd. Currently he is the Managing Director, Madawa Pharmaceuticals Ltd and Ace Pharmaceuticals Ltd.

GLADYS MUMBUA MBOYA - DIRECTOR

Gladys M. Mboya joined the Corporation's Board of Directors on 4th January 2007. She holds an LLB from the University of Wales, Aberystwth UK, a Diploma in Law from Kenya School of Law and an MBA from University of Warwick, UK. She has attended various Professional Courses and Seminars on various legal matters. She is a member of Chartered Institute of Arbitrators, Gender Committee of Law Society of Kenya among other organizations. She is an Advocate of the High Court of Kenya and a Certified Public Secretary and currently a Managing Partner at Mboya & Wangong'u Advocates.

PS TREASURY

Mr. Joseph Kinyua was appointed the Permanent Secretary to the Treasury in April 2004 and effectively became a Director of the Corporation on the same date.

Chairman's Statement



Nelius Kariuki - Mwenyekiti

*The shareholders
funds increased to
Kshs. 8.00 Billion from
KShs. 7.22 Billion in
2007*

SHAREHOLDERS

I am delighted to present the annual report and financial statements of your company, Kenya Reinsurance Corporation Limited, for the year ended 31st December 2008. For Kenya Re, 2008 was yet another year of outstanding financial performance. This remarkable improved performance is testament to the great potential that the Corporation has and emphatically stamps Kenya Re's financial strength.

FINANCIAL PERFORMANCE

In year 2008 the Corporation continued its traditional track record of profitability and increase in value of total assets. On the financials, your business reported a 59.9% growth in profits before tax to stand at KShs. 1.79 Billion up from KShs. 1.09 Billion in 2007. The total assets continued to improve and grew to KShs. 13.66 Billion up from KShs. 12.96 Billion a total of 5.4% growth over the 12 month period. The shareholders funds increased to KShs. 8.00 Billion from KShs. 7.22 Billion in 2007. This impressive performance is a reflection of the stakeholders' confidence in Kenya Re as a strong and stable reinsurer with prudent leadership at the Board level and commitment to hard work by the Management and staff.

The company's share consistently performed above the NSE index in 2008. However, the impressive performance did not have a proportionate positive impact on other shares in the Nairobi Stock Exchange. This is due to the bearish market prevailing in the bourse brought about by declining investor confidence, the general adverse effects to the economy due to political turmoil, governance issues in the country and the global financial meltdown.

OVERVIEW OF BUSINESS ENVIRONMENT

Year 2008 started with high expectations in the country with the coalition government taking shape. Similarly there was the seemingly promising industrial growth in the global markets despite the fear of a surge in the petroleum prices. However, this positive trend did not last long enough to carry on the favorable expectations for the industry.

Kenya in particular demonstrated a positive outlook in terms of the major economic indicators. And although the insurance sector closed the year with impressive financial performances recording high profit levels, further growth for the sector in the later days of the year was not very promising. Year 2008 having been a year of political turmoil, following the effects of the previous year of election, the negative consequences undoubtedly spread faster and lasted longer than the industry's anticipations. At the beginning of the year, the growing political concerns and subsequent economic fluctuations in the industrial and agricultural sectors had and adverse impact on the financial markets particularly in the first half of the year 2008. Businesses at the bourse continued to be bearish and the outlook shrouded in fear and mistrust. Despite the consequences of these unfavorable developments that reduced and curtailed the general appetite for insurance due to halted and or slowed investments, the buoyed, steady, and prudent leadership of the Corporation and commitment to good governance by the management ensured that the Corporation sustained an upward

Chairman's Statement (continued)

***On the financials,
your business
reported a 59.9%
growth in profits
before tax to stand at
KShs. 1.79 Billion up
from KShs. 1.09 Billion
in 2007.***

growth in the year. Indeed, aggressive marketing efforts had positive and precautionary measures for the Corporation.

Kenya Re, continued to seize opportunities and to address the challenges to strengthen its position as a lead, secure and stable financial institution both locally and regionally. The Corporation continued to be very active and aggressive in its marketing strategies which resulted in expansion of the existing business and acquisition of new business. Overall, the Corporation enjoyed premium growth most notably in new markets.

DIVIDENDS

Given our healthy financial position, the Board is pleased to propose a dividend of 50 cents per share for year 2008.

CORPORATE SOCIAL RESPONSIBILITY

Kenya Re which is known for its magnanimity towards national issues and especially those that adversely affects our country, contributed to the numerous national disasters and

tragedies directly to the affected victims in the local community. Among those supported were the IDPs, the less fortunate members of society and tertiary institutions where internship programs were offered to all qualifying students.

FUTURE OUTLOOK

Going forward, we will continue our growth strategy by growing our business to enhance our earnings and significantly contribute positively to shareholder value. This year, the satellite office in West Africa will be fully operational so as to tap the profitable business in the French speaking markets in those regions. The competition in the regional marketplace will be fierce and will favor those companies with financial strength. We are very proud to announce to you that we managed to retain our financial strength rating at B+ and an improved "stable" outlook. Our priority will be to improve and upgrade this rating to an 'A' this year. While we have expanded over the past year, we have successfully minimized our capital exposure and expenses. To ensure that we did not even jeopardize our financial rating, we off loaded one of our poor performing assets in Mombasa (Reinsurance Plaza) which was not yielding favorable returns and invested the proceeds prudently to generate more returns.

APPRECIATION

Our excellent results would not have been possible if it were not for the support we have received from our customers, the cedants, and all our stakeholders and shareholders. As the Chairman of the Corporation, I am indebted to my fellow Board members for their invaluable insights and support. I also wish to acknowledge the Senior Management and staff for their valuable support and dedication in reaching these favorable results, without their individual contribution it would not be possible to

mark once again another successful year for Kenya Re.

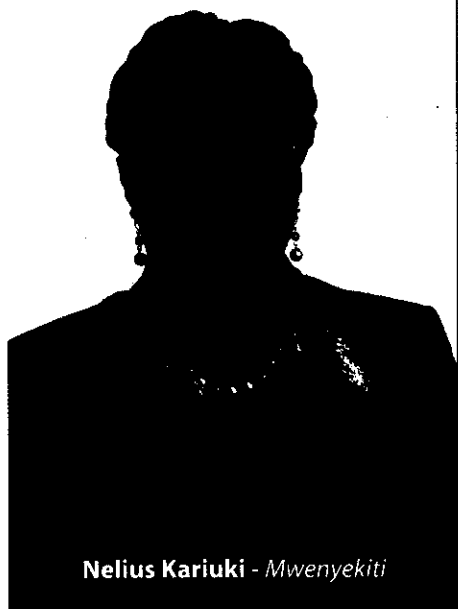
Finally, and on behalf of the Board, I would like to thank the Government and the regulatory bodies: Insurance Regulatory Authority, the Capital Markets Authority, and the Nairobi Stock Exchange for their guidance and support. Allow me to take this honorable opportunity to thank you all. I am confident, that with your continued support, we will again steer us through another even more successful year.

Thank you and God bless you.



Nelius Kariuki
Chairman

Taarifa ya Mwenyekiti



Nelius Kariuki - Mwenyekiti

*Hazina ya wenyehisa
iliongezeka kwa shilingi
Bilioni 8.00 kutoka
shilingi Bilioni 7.22 katika
mwaka wa 2007.*

WENYEHISA,

Nina furaha kuwasilisha kwenu ripoti ya mwaka na taarifa ya kifedha ya kipindi kilichomalizikia 31 Desemba 2008, ya shirika leni la Kenya Reinsurance Corporation Limited. Katika shirika la Kenya Re, mwaka wa 2008 ulikuwa mwaka mwengine tena wenye matokeo mazuri na ya kuridhisha. Matokeo hayo, yaliyoimarika, ni dhihirisho la uwezo kamili na uthabiti wa kifedha ambao shirika la Kenya Re limeweza kuwaonyesha washika dau wake katika eneo letu zima.

MATOKEO YA KIFEDHA

Katika Mwaka wa 2008 Shirika liliendelea na kuweka rekodi yake ya faida na kuongeza thamani yarasilmalizake za jumla. Kuhusiana na masuala ya kifedha, biashara yako ilikua kwa asilimia 59.9% katika faida kabla ya ushuru na kufikia shilingi Bilioni 1.79 kutoka shilingi Bilioni 1.09 mnamo mwaka wa 2007. Jumla ya rasilimali iliendelea kuimarika na kukua hadi kufikia shilingi Bilioni 13.66 kutoka shilingi Bilioni 12.96 jumla ya ukuaji wa asilimia 5.4% katika kipindi cha miezi 12. Hazina ya wenyehisa iliongezeka kwa shilingi Bilioni 8.00 kutoka shilingi Bilioni 7.22 katika mwaka wa 2007. Matokeo haya ya kuridhisha ni picha kamili ya imani ya washika dau kwa Kenya Re kwani inatuakisi kama shirika bora na thabiti la wanabima linaloendeshwa kitaalamu katika ngazi za kihalmashauri na uwajibikaji wa dhati kutoka kwa wafanyikazi na wasimamizi wote.

Licha ya kuwa Hisa iliendelea kufanya vyema na kupita mfumo wa NSE Index, matokeo haya ya kuridhisha hayakuambatana sambamba na hisa katika Soko la Hisa la Nairobi. Hii ni kwa sababu ya soko kuyumbayumba na athari za jumla za kiuchumi kwa sababu ya vurugu za kisiasa, masuala ya uongozi nchini na mfumuko wa kiuchumi ulimwenguni.

MTAZAMO WA MAZINGIRA YA KIBIASHARA

Mwaka wa 2008 ulianza kwa matarajio makubwa nchini huku Serikali ya Muungano ikichukua mwelekeo bora. Hali kadhalika, palikuwa na ishara ya ukuaji wa kiviwanda ulimwenguni licha ya kuwepo kwa hofu ya kuongezeka kwa bei za bidhaa za mafuta ya petroli. Hata hivyo, mwelekeo huu mzuri haukuendelea kwa muda mrefu ili kubeba mtazamo uliopendelewa katika sekta hiyo.

Kenya ilionyesha ukakamavu wa kutosha wa kuviweka wazi viashiria vya kiuchumi. Licha ya sekta ya bima kufunga mwaka kwa matokeo ya kifedha ya kuridhisha na kurekodi viwango vya juu vya faida, ukuaji zaidi wa sekta katika siku za baadae za mwaka hazikuwa za kupendeza sana, hasa mwaka wa 2008 ukiwa mwaka wa vurugu za kisiasa, kufuatia athari za mwaka wa uchaguzi uliotangulia, athari mbaya zilienea kwa upesi na kudumu kwa muda mrefu na hata kuyazidi matarajio ya sekta hii. Mwanzo wa mwaka, hofu za kisiasa na kudidimika kwa kiuchumi katika sekta za viwanda na kilimo kuliathiri pakubwa masoko ya kifedha hasa katika nusu ya kwanza ya mwaka wa 2008. Biashara katika ukumbi wa soko la hisa ziliendelea kuyumbayumba huku mtazamo ukitiliwa shaka na kusababisha hofu na ukosefu wa uaminifu katika biashara. Hata hivyo, ingawaje kulikuwa na athari za maendeleo haya yasiyopendeza ambayo yalipunguza na kuondoa hamu ya bima kwa sababu ya uwekezaji wa taratibu ama uliokwama, uongozi bora na thabiti wa wasimamizi pamoja na uongozi wa Shirika ulidumisha uimarikaji wa juu katika mwaka na juhudi za mauzo

Taarifa ya Mwenyekiti

*Kuhusiana na masuala
ya kifedha, biashara
yako ilikua kwa asilimia
59.9% katika faida kabla
ya ushuru na kufikia
shilingi Bilioni 1.79
kutoka shilingi Bilioni
1.09 mnamo mwaka wa
2007*

zilizochangamka zilikuwa na matokeo mazuri na tahadhari kwa shirika.

Kenya Re iliendelea kujitafutia nafasi nyingine za kibiashara na kushughulikia changamoto zitakazoimarisha nafasi yake kwenye soko kama asasi ya kifedha iliyo kiongozi, salama na imara humu nchini na kimataifa. Shirika hili lilijitahidi kuboresha mbinu zake kwenye mauzo na kutangaza bidhaa zake ambazo zilipelekea kupanuka kwa biashara zake na hata kununua biashara mpya. Kwa jumla, shirika lenu lilifurahia ukuaji wa wastani hususan katika masoko mapya.

MGAWO WA HISA

Kufuatia hayo mafanikio mazuri ya kifedha, halmashauri yetu kuu ina furaha kupendekeza mgawo wa senti 50 kwa kila hisa kwa mwaka wa 2008.

MAJUKUMU YA KIJAMII

Kenya Re inatambuliwa sana kwa mchango wake mkubwa kwa masuala ya kitaifa na hasa yale yanayoathiri zaidi nchi yetu, ilichangia moja kwa moja kwa majanga kadha ya kitaifa na mikasa kwa watu walioathiriwa

katika jamii. Miongoni ya wale waliosaidiwa ni wakimbizi, maskini, vyuo vya kiufundi ambapo mpango wa ulezi ulitolewa kwa wanafunzi wote waliohitimu.

MIKAKATI YA BAADAE

Ili kuendelea vyema tutazidi kuimarisha mikakati yetu kwa kuboresha biashara ili kuinua mapato yetu na kuchangia vyema kwa thamani ya wenyehisa. Mwaka huu, ofisi yetu ya ughaibuni ya huko Afrika magharibi itaanza shughuli zake kwa ukamilifu ili tuweze kuvutia biashara zenye faida kwa mataifa yanayotumia lugha ya Kifaransa katika maeneo hayo. Ushindani katika eneo letu la kibiashara utakuwa mkubwa na kulenga mashirika yenye uwezo wa kifedha. Tuna furaha sana kuwatangazia kwamba tulifanikiwa kuhifadhi uwezo wetu wa kifedha kwa B+ na hata kuimarisha sura yetu ya kuwa thabiti katika kiwango cha wastani yaani 'stable'. Kwa sasa jambo lililopewa kipaumbele zaidi ni kuboresha utendakazi huo hadi kiwango cha 'A' mwaka huu. Kwa hivyo, tukiwa tumepanua shughuli zetu katika mwaka uliomalizika, pia tumefanikiwa kupunguza gharama na matumizi ya shirika. Ili kuhakikisha kwamba hatuharibu nafasi yetu ya kifedha, tuliamua kuuza moja wapo ya rasilimali zetu Mombasa ambayo haikuwa ikifanya vyema (Reinsurance plaza) na pesa tukawekeza ili kuleta mapato zaidi.

SHUKRANI

Matokeo haya yakupendeza yasingaliwezekana kupatikana bila ya usaidizi mkubwa wa wateja wetu, wahusika wetu na hali kadhalika washikadau na wenyehisa wote. Kama mwenyekiti wa Shirika hili, nawashukuru mno wanachama wa halmashauri yetu kwa maono na usaidizi wao wa dhati. Pia ningependa kuwapongeza viongozi wa idara mbali mbali na wafanyikazi wote kwa usaidizi wao wenye thamani kubwa na kujitolea

kwao katika kuyafikia matokeo tuliyoopata, kwani bila mchango wao wa kibinafsi tusingalifika tulipofika na kusherehekea mwaka mwengine tena kwa Kenya Re.

Mwisho kabisa, na kwa niaba ya Halmashauri Kuu, ningependa kuishukuru Serikali na Halmashauri Kuu za Usimamizi, hususan Mamlaka ya Masoko ya mtaji na Kampuni ya Soko la Hisa la Nairobi kwa uelekezi na usaidizi wao. Naomba muniruhusu niuchukue wakati huu kuwapongezeni nyote. Nina imani kwamba kupitia usaidizi wenu, tutakuwa na mwaka mwingine wenye mafanikio mazuri zaidi.

Asanteni sana na Mungu awabariki.



Nelius Kariuki
Mwenyekiti

Report of Directors

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activities of the Corporation are the transaction of all classes of reinsurance business and investment activities.

RESULTS

	2008 Sh
Profit before taxation	1,759,015,419
Taxation charge	(277,914,505)
Profit for the year transferred to retained earnings	1,481,100,914

DIVIDENDS

The directors recommend the payment of a dividend of Sh 300 million for the year ended 31 December 2008 (2007 – Sh 210 million).

DIRECTORS

The directors of the Corporation who served during the year are set out on page 8.

SECRETARY

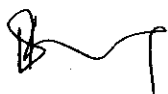
Mrs J F Otieno retired on 4 July 2008 and was replaced by Ms S Njuguna on the same date. Ms S Njuguna resigned on 3 April 2009 and was replaced Ms E Embeywa on the same date.

AUDITORS

The Controller and Auditor General is responsible for the statutory audit of the Corporation's books of account in accordance with Sections 14 and 39(i) of the Public Audit Act, 2003 which empower the Controller and Auditor General to nominate other auditors to carry out the audit on his behalf.

Deloitte & Touche were appointed by the Controller and Auditor General to carry out the audit for the year ended 31 December 2008.

BY ORDER OF THE BOARD



Secretary

Nairobi

28 April 2009

Statement of Directors' Responsibilities

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Corporation as at the end of the financial year and of the operating results of the Corporation for that year. It also requires the directors to ensure that the corporation keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Corporation. They are also responsible for safeguarding the assets of the Corporation.

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Corporation and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Corporation will not remain a going concern for at least the next twelve months from the date of this statement.



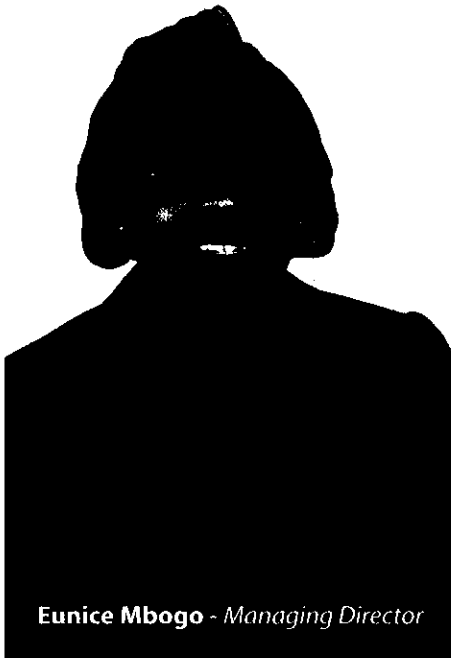
Director



Director

28 April 2009

Managing Director's Statement



Eunice Mbogo - Managing Director

*"...profits after tax
increasing by 76.8% to
stand at KShs. 1.48 Billion
up from KShs. 837.94
million in 2007"*

It is a great honour to note the continued delivery of record financial results by Kenya Reinsurance Corporation limited. The annual report and financial statements as at 31st December 2008 are an indication of a successful year. I am indeed elated to be part of the team that delivered such impressive results.

FINANCIAL RESULTS

Kenya Re recorded impressive results in 2008 with the profits after tax increasing by 76.8% to stand at KShs. 1.48 Billion up from KShs. 837.94 million in 2007. The total assets also continued to improve from KShs. 12.96 Billion to KShs. 13.66 Billion a total of 5.4% growth in year 2008. The shareholders funds increased by 10.7% from KShs. 7.22 Billion in 2007 to KShs. 8.00 Billion in 2008.

The Corporation, despite the adverse economic conditions that prevailed at the beginning of the year, was able to successfully sustain this strong operating performance. This was achieved through sustained energy in aggressive marketing strategy that ensured the Corporation retained the old business and also acquired new business despite stiff competition.

BUSINESS ENVIRONMENT

In the global scene, the reinsurance sector was characterised by a number of contradictory features. Different regions of the world reported fairly mixed growth performances due to increasing warnings of softening markets.

Locally, the key sectors of the economy showed slowed growth in performance. The unfavourable environment characterized by the stagnating economy posed a challenge to growth of the quality underwriting business. The operating business environment was further aggravated by stiff competition and incidents of unscrupulous insurance practices which presented a threat to the reinsurers.

IMPROVING OUR EFFICIENCY

In our endeavour to meet customer expectations we enhanced our automated services by acquiring new software. This brought in a degree of sophistication to the reinsurance service where more efficient rapid business processes were greatly enhanced. A Financial System to handle our financial portfolio, Life System for our life business portfolio and the Document Management System were all installed. As a demonstration of our commitment to being customer focused and market driven, our website was also revamped. We continued to develop our staff as well as recruited personnel to fill specialised and key positions that fell vacant due to natural attrition.

Managing Director's Statement *(continued)*

FUTURE OUTLOOK

As a way forward to sustained profitability in the face of intense competition and global meltdown, we will continue with our growth and expansion strategies. Our focus will be to target quality business and remain vigilant to risk management, especially now that we have penetration in the French-speaking markets.

We will also maintain value addition to our clients by conducting technical seminars both locally and internationally. We take cognisance of the unfavourable investment environment prevailing and we will pursue prudent options with emphasis on a conservative but secure approach.

APPRECIATION

Once again, the impressive performance for 2008 would not have been made possible without the continued commitment and dedication of the Management and staff of Kenya Re. I therefore wish to thank them for their loyalty and hard work as well as extend gratitude to the Board of Directors for their guidance and support. My sincere thanks also go to our stakeholders, the ceding companies and the regulatory authorities for their support which was instrumental in our success.

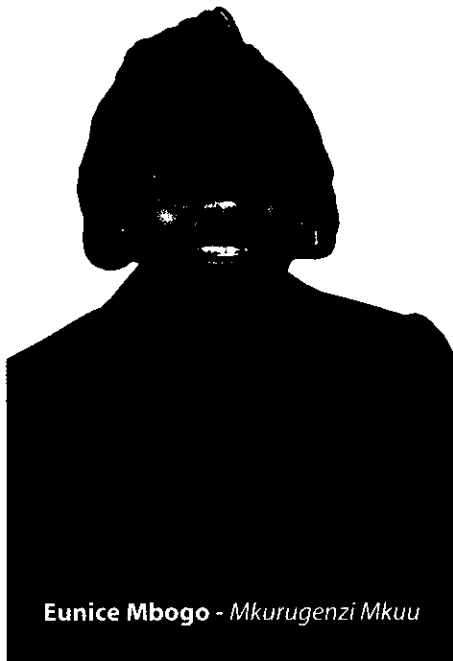
Thank you.



Eunice Mbogo
Managing Director

The shareholders funds increased by 10.7% from KShs. 7.22 Billion in 2007 to KShs. 8.00 Billion in 2008.

Taarifa ya Mkurugenzi Mkuu



Eunice Mbogo - Mkurugenzi Mkuu

*faida baada ya ushuru
ikiongezeka kwa asilimia
76.8 na kufika shilingi
Bilioni 1.48 kutoka shilingi
milioni 837.94 katika
mwaka wa 2007*

Nina furaha kuu kuwafahamisha kwamba tunakutana tena ili kesherehekea kuendelea kuwa na matokeo mazuri ya ripoti ya kifedha mwisho wa mwaka na ukaguzi wa mahesabu ya Kenya Re kwa mwaka wa fedha uliomalizika 31 Desemba 2008. Kwa kweli ninafurahi mno kuwa miongoni mwa watu wazuri waliofanikisha kuwepo kwa matokeo haya mazuri na ya kupendeza.

MATOKEO YA KIFEDHA

Shirika la Kenya Re lilirekodi matokeo mazuri katika mwaka wa 2008 huku faida baada ya ushuru ikiongezeka kwa asilimia 76.8 na kufika shilingi Bilioni 1.48 kutoka shilingi milioni 837.94 katika mwaka wa 2007. Jumla ya mali pia iliendelea kuimarika kutoka shilingi Bilioni 12.96 hadi shilingi Bilioni 13.66 ambapo ni kukua kwa asilimia 5.4 katika mwaka wa 2008. Hazina ya wenyehisa iliongezeka kwa asilimia 10.7 kutoka shilingi Bilioni 7.22 mnamo mwaka wa 2007 hadi shilingi Bilioni 8.00 mnamo mwaka wa 2008.

Hata ingawaje kulikuwa na misukosuko ya kiuchumi iliyoshuhudiwa mwanzo wa mwaka, Shirika lilifanikiwa kudumisha matokeo haya thabiti ya kufanya kazi kwa kuendelea mkakati wake kabambe wa mauzo ambao ulihakikisha kwamba shirika linahifadhi biashara zake za zamani na pia kupata biashara mpya licha ya ushindani mkubwa.

MAZINGIRA YA KIBIASHARA

Katika mtazamo wa kimataifa, sekta ya bima ilikabiliwa na masuala kadha ya kuhitilafiana. Maeneo tofauti ya ulimwengu yaliripoti matokeo ya ukuaji yenye mchanganyiko kwa sababu ya kuongezeka kwa tahadhari za kulegea kwa masoko. Humu nchini, sekta kuu za uchumi zilionyesha kukua kwa taratibu, lakini hata ingawaje uchumi ulikwama, kukuza biashara huku tukidumisha ubora unaostahili ilikuwa changamoto kuu kwa sababu mazingira ya kuendesha biashara yalitawaliwa na ushindani mkubwa na desturi za ulaghai katika bima ambazo zilikuwa tishio kubwa kwa watumizi wa bima kubwa.

KUBORESHA UTENDAJI BORA WETU

Katika juhudi zetu za kutimiza matarajio ya wateja, tuliboresha huduma zetu za mitambo ya kielektroniki kwa kununua zana-tepe mpya na kadhalika kuinua ubora wa huduma za bima kubwa ambapo utendaji kazi bora na kuongezeka kwa kasi ya mawasiliano katika shughuli zetu za kibiashara ziliinuliwa kwa kununua na kuweka programu tatu za kompiuta: Financial System, kushughulikia masuala ya kifedha, Life System ya biashara ya kitengo cha maisha na Document Management System. Kama njia ya kujitolea kwetu kuangazia wateja na kuvutiwa na masoko, mtandao wetu ulifufuliwa. Pia tuliendelea kuwakuza wafanyikazi wetu pamoja na kuajiri wafanyikazi wachache katika nafasi maalum na kuu ambazo zilibakia wazi kwa sababu ya mambo ya kiasili.

Taarifa ya Mkurugenzi Mkuu

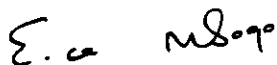
MAONO YA SIKU ZIJAZO

Hata ingawaje kuna changamoto kubwa hasa kufuatia ushindani mkubwa na kudidimia kwa uchumi ulimwenguni, ili kuendelea mbele na kuhifadhi faida yetu, tutaendelea na ukuaji na mikakati ya upanuzi, tukiangazia kulenga biashara bora na kuwa macho katika usimamizi wa hatari na wakati huu ambapo tumepenyeza katika masoko ya wanaotumia lugha ya Kifaransa.

SHUKRANI

Kwa mara nyingine, matokeo mazuri ya mwaka 2008 hayangewezekana bila uwajibikaji na hali ya kujitolea ya wasimamizi na wafanyakazi wa Kenya Re. Hivyo basi nawashukuru kwa utiifu na kuendeleza shukrani zangu kwa Halmashauri ya wakurugenzi kwa muongozo na kuunga mkono. Shukrani zangu za dhati pia ziwaendee washika dau wote, kampuni za bima na sheria za utawala ambazo zilichangia pakubwa katika ufanisi wetu

Asanteni sana.



Eunice Mbogo
Mkurugenzi Mkuu

*Jumla ya mali pia
iliendelea kuimarika
kutoka shilingi Bilioni
12.96 hadi shilingi Bilioni
13.66 ambapo ni kukua
kwa asilimia 5.4 katika
mwaka wa 2008*

Management Team

1.	Eunice W. Mbogo	Managing Director
2.	Michael J. Mbeshi	General Manager (Property & Investments)
3.	Jadiah M. Mwarania	General Manager (Reinsurance Operations)
4.	Jacqueline N. Njui	Manager (Finance & Investments)
5.	Esther N. Kimanzi	Manager (Administration & Supplies)
6.	Nancy Njakai	Manager (Life)
7.	Beth Nyaga	Manager (International)
8.	Charles Etemesi	Assistant Manager (Local Business)
9.	Mumut Ole Sialo	Statutory Manager (United Insurance Company)
10.	Sally W. Kang'ethe	Human Resource Manager
11.	Consolata W. Kihara	Manager (Property)
12.	George K. Njuguna	Manager (ICT)
13.	Joseph Keverenge	Internal Audit Manager
14.	Samson Mudogo	Assistant Chief Accountant
15.	Mary Mwendwa	Deputy Manager (Corporate Affairs)
16.	John Rika	Deputy Manager (Property)
17.	Charles Abebe	Assistant Manager (ICT)
18.	Sammy Kaaria	Assistant Manager (Internal Audit)
19.	Eunice K. Embeywa	Assistant Legal Officer
20.	Jean-Claude Razafimandimby	Senior French Underwriter
21.	Eunice Ndathi	Underwriting Assistant – Strategy and Business Development
22.	Teresia Kenga	Senior Underwriter (International)

Corporate Governance Statement

Corporate governance is the process and structure by which companies are directed and controlled and held accountable in order to achieve long term value to shareholders taking cognizant of the interest of other stakeholders.

The Board of Directors of Kenya Reinsurance Corporation Ltd is responsible for the governance of the Corporation and is accountable to the shareholders for ensuring that the Corporation complies with the law and the highest standards of business ethics and corporate governance. Accordingly the Board attaches very high importance to the generally accepted corporate governance practice and has embraced the internationally developed principles and code of best practice of good corporate governance.

Board of Directors

The roles and functions of the Chairman and the Managing Director are distinct and their respective responsibilities clearly defined.

The Board comprises of eight directors of which seven of them are independent non-executive including the Chairman. The Board defines the Corporation's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. The directors bring a wealth of experience and knowledge to the Board's deliberations.

Except for direction and guidance on general policy, the Board has delegated authority of its day-to-day business to the Managing Director. The Board nonetheless is responsible for the stewardship of the Corporation and assumes responsibilities for the effective control over the Corporation.

The Corporation Secretary advises the Board on all corporate governance matters and statutory requirements as well as attends all the Board meetings.

Board Meetings

The Board holds meetings on a regular basis while special meetings are called when it is deemed necessary to do so. The Board held 16 regular and 10 special meetings during the year under review.

Committees of the Board

The Board has set up the following principal committees which meet under well defined terms of reference set by the Board. This is intended to facilitate efficient decision making of the Board in discharging its duties and responsibilities.

Audit Committee of the Board

The membership of the Audit Committee comprises Everest Lenjo (Chairman), Mutwiri Ikiao, Dr. Iruki Kailemia, Mutua Kilaka, Peter Ondieki.

The committee assists the Board to fulfill its corporate governance responsibilities and in particular to:

- Review financial statements before submission to the Board focusing on changes of accounting policies, compliance with the International Financial Reporting Standards and legal requirements and the going concern assumption.
- Strengthen the effectiveness of the internal audit function.
- Maintain oversight on internal control system.
- Increase the shareholders' confidence in the credibility and standing of the Corporation.
- Review and make recommendations regarding the Corporation's budgets, financial plans and risk management.
- Liaise with the external auditors.

The Committee held 5 regular and 2 special meetings in the year under review

Corporate Governance Statement *(continued)*

Risk Management and Internal Controls

The Corporation has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for all transactions and for ensuring compliance with the laws and regulations that have significant financial implications. In reviewing the effectiveness of the internal control system, the Board takes into account the results of work carried out to audit and review the activities the Corporation. The Board also considers the management accounts for each quarter, reports from each Board Committee, annual budgetary proposals, major issues and strategic opportunities for the Corporation.

As an integral strategy in achieving its corporate goals the Board ensures that an optimal mix between risks and returns is maintained. To achieve this goal a risk management programme has been put in place to assist the Board in understanding business risk issues and key performance indicators affecting the ability of the Corporation to achieve its objectives.

Human Resource Committee of the Board

Gladys Mboya is the Chairman of this committee while Jacob Ali Haji, Eunice Mbogo, Mutua Kilaka, Peter Ondieki are members.

The Committee reviews and recommends on issues relating to Training Needs, Job Transfers, Staff Recruitment, Staff Placements, Promotions, Demotions, Discipline and Staff Welfare.

The committee held 5 regular meetings during the period under review.

Creating Shareholders' Value

In order to assure the shareholder of the commitment to activities that create and enhance shareholder value, the Board signs a performance contract and continue to perform an annual evaluation exercise to review and audits its role and success or otherwise to meet the challenges envisaged at the beginning of each year.

Directors Emoluments and Loans

The aggregate amount of emoluments paid to directors for services rendered during the financial year 2008 are disclosed in the notes to the financial statements on page 55. Non- executive directors are paid sitting allowances for every meeting attended. There were no arrangements for the directors to acquire benefits through the acquisition of the Corporation's shares.

Lending to Board of Directors as at the end of the year is disclosed in the financial statements on page 72.

Directors interest in the shares of the Corporation and the distribution of the Corporation's shareholding and analysis of the ten largest shareholders as at 31st December 2008 were as follows:-

Corporate Governance Statement (continued)

Directors Interests

As At 31st December, 2008

Name of Directors	Number of Shares	% Shareholding
Permanent Secretary to the Treasury of Kenya	360,000,000	60.000
Nelius Wanjiru Kariuki	33,009	0.006
Eunice Wairimu Mbogo	25,143	0.004
Dr Iruki Kailemia	1,318	0.000
Everest Motolo Lenjo	72	0.000
Jacob Haji Ali	1,203	0.000
Mutwiri Ikiao	0	-
Gladys M Mboya	15,772	0.003

Shareholders' Profile as at 31st December, 2008	Number of Shareholders	Number of Shares Held	% of Issued Share Capital
Kenyan Individual Investors	116,713	125,043,301	20.841
Kenyan Institutional Investors	9,989	466,228,800	77.705
East African Individual Investors	480	711,905	0.119
East African Institutional Investors	25	992,808	0.165
Foreign Individual Investors	878	1,808,064	0.301
Foreign Institutional Investors	37	5,215,122	0.869
	128,122	600,000,000	100.000

Major Shareholders	Number of Shares Held	% Shareholding
Permanent Secretary To The Treasury Of Kenya	360,000,000	60.00
National Social Security Fund	20,089,638	3.35
Barclays (Kenya) Nominees Limited A/C 9230	6,200,629	1.03
Mahendra Kumar Khetshi Shah	4,837,070	0.81
Cannon Assurance (Kenya) Limited	3,227,200	0.54
Continental Reinsurance Plc	2,713,842	0.45
Barclays (Kenya) Nominees Limited A/C 9397	2,462,483	0.41
Barclays Kenya Nominees Ltd Non Resident A/C 9107	2,433,700	0.41
Kenindia Assurance Company Ltd to Pension Fund	2,148,392	0.36
Stanbic Nominees Kenya Ltd. A/c R48701	2,097,484	0.35
	406,210,438	68.00

Corporate Governance Statement (continued)

Summary of Totals

Shares Range	Shareholders	Number of Shares	% Shareholding
1 to 1,000	105,053	45,526,106	7.59
1,001 to 5,000	18,873	38,172,065	6.36
5,001 to 10,000	2,267	14,148,002	2.36
10,001 to 100,000	1,699	42,069,770	7.01
100,001 to 1,000,000	205	45,063,001	7.51
1,000,001 to 5,000,000	22	41,446,789	6.91
5,000,001 to 10,000,000	2	13,574,267	2.26
10,000,001 & above	1	360,000,000	60.00
	128,122	600,000,000	100.00

Board Committees

Audit Committee	Human Resource Committee	Executive Management Committee
Composition	Composition	Composition
-Five Non-Executive Directors -Manager(Internal Audit)	-Four Non- Executive Director -Managing Director -Manager(Human Resource)	-Managing Director -General Managers -Managers
Frequency of Meetings Per Annum	Frequency of Meetings Per Annum	Frequency of Meetings Per Annum
Six and as when necessary	As and when necessary	Monthly
Chairman	Chairman	Chairman
Everest Lenjo	Gladys Mboya	Eunice Mbogo
Members	Members	Members
S. Mutwiri Ikiao Iruki Kailemia Mutua Kilaka Peter Ondieki	Jacob Haji Ali Eunice Mbogo Mutua Kilaka Peter Ondieki Salome Kangethe	(See Page 20)

Corporate Social Responsibility

Kenya Re is committed to supporting the development of the larger community, through working with its employees and other stakeholders.

Kenya Re endeavors to support the less fortunate members of society and also through excellence awards to support the academic progress in our tertiary institutions.

The Corporation reviews various requests presented by the stakeholders and prudently allocates resources to meet those needs. Through these initiatives, the Corporation is able to give hope and economic value to its target audience.

In 2008, Kenya Re supported a number of destitute and orphans' children homes. We also contributed to the internally displaced persons following the post election political violence.

Education is a core area where Kenya Re has over the years supported academic excellence in the institutions of higher learning by rewarding the best students in various categories related to our business. The benefiting categories include: The Most Outstanding Scholar of the Year, Best Student in Insurance option, actuarial science, mathematics and related subjects. We also host a program for induction and internship to university and diploma students for a period of three months with a stipend allowance.

Going forward, we intend to place further emphasis on insurance education for the public through the print and electronic media to ensure greater uptake of insurance in the country.



Kenya Re Staff Members Team building session

Actuary's Certificate

Kenya Reinsurance Corporation Limited Actuarial Valuation of the Life Fund as at 31 December 2008

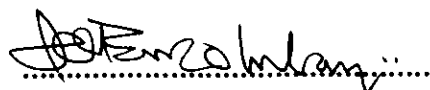
Actuary's Certificate

I, James Israel Omanyala Olubayi of Alexander Forbes Financial Services (EA) Ltd, Landmark Plaza, 10th Floor, Landmark Plaza Argwings Kodhek, P.O. Box 52439 Nairobi, being an Actuary duly qualified in terms of Section 2 of the Insurance Act having conducted an investigation in terms of Sections 57 and 58 of that Act as at 31 December 2008 do hereby certify as under:-

- (a) that in my opinion the value placed upon the aggregate liabilities relating to the Statutory Funds of Kenya Reinsurance Corporation Limited in respect of policies on the basis of valuation adopted by me is not less than what it would have been if the aggregate value had been calculated on the minimum basis prescribed;
- (b) that necessary steps as required under Section 58 (5) (a) were taken; and
- (c) that I am satisfied that the valuation of assets adopted by me are, on the basis of the Auditor's certificates appended to the balance sheet, fully of the value so adopted.

26 APRIL 2009

Date



James I. O. Olubayi

Fellow of the Institute of Actuaries



Report of Controller and Auditor General

REPUBLIC OF KE-

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Fax: +254-20-311482
E-mail: cag@kenyaweb.com



P.O. Box 30084-00100
NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA REINSURANCE CORPORATION LIMITED FOR THE YEAR ENDED 31 DECEMBER 2008

The financial statements of Kenya Reinsurance Corporation Limited set out on pages 30 to 76 which comprise the balance sheet as at 31 December 2008 and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, together with a summary of significant accounting policies and other explanatory notes have been audited on my behalf by Deloitte & Touche, auditors appointed under Section 39 of the Public Audit Act, 2003. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements which give a true and fair view of the Corporation's state of affairs and its operating results in accordance with the International Financial Reporting Standards.

This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Controller and Auditor General

My responsibility is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

Report of Controller and Auditor General *(continued)*

In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

Opinion

In my opinion, proper books of account have been kept and the accompanying financial statements give a true and fair view of the state of the financial affairs of the Corporation as at 31 December 2008 and of its profit and cashflows for the year then ended in accordance with the International Financial Reporting Standards and comply with the Kenya Companies Act, Cap 486 of the Laws of Kenya.



A.S.M. GATUMBU
CONTROLLER AND AUDITOR GENERAL

Nairobi

28 April, 2009

Afisi ya Kitaifa ya Ukaguzi wa Hesabu

RIPOTI YA MSIMAMIZI NA MKAGUZI MKUU WA UKAGUZI WA HESABU KUHUSU TAARIFA ZA KIFEDHA ZA SHIRIKA LA KENYA REINSURANCE CORPORATION LIMITED KWA KIPINDI CHA MWAKA KILICHOMALIZIKIA DESEMBA 31 2008.

Taarifa za Kifedha za shirika la **Kenya Reinsurance Corporation Limited** zilizotajwa kwenye ukurasa wa 9 hadi 52 zilizo na vitabu vya mahesabu ya fedha kufikia Desemba 31 2008 na taarifa ya malipo, taarifa za mabadiliko ya pesa taslimu kwa mwaka huo uliomalizika pamoja na maelezo mafupi ya sera muhimu za uhasibu na maelezo mengine zimekaguliwa kwa niaba yangu na Deloitte & Touch, wakaguzi walioteuliwa chini ya Sehemu ya 39 ya Sheria za Ukaguzi wa Umma, 2003. Wakaguzi wameripoti kwangu matokeo ya ukaguzi wao na kwa misingi ya ripoti yao, nimetosheka kwamba habari zote na maelezo ambayo kulingana na ninavyoelewa vyema katika imani yangu, palikuwa na haja kuu ya kupatikana kwaza kwa minajili ya ukaguzi huo wa kifedha.

Majukumu ya Wakurugenzi Wakuu katika Taarifa za Kifedha

Ni jukumu la Wakurugenzi Wakuu kutayarisha taarifa za kifedha ambazo zinaonyesha hali halisi na ukweli wa mambo katika shirika na matokeo ya kibiashara kulingana na ubora wa utendakazi kwa viwango vya 'International Financing Reporting Standards'. Majukumu haya ni pamoja na: kuunda, kutekeleza na kuthibiti taratibu husika zinazombatana na matayarisho na mawasilisho yenye uhaki katika taarifa za kifedha ambazo ni huru dhidi ya makosa, iwe ni kutokana na ulaghai au makosa ya kawaida; kuchagua na kutumia sera madhubuti za uhasibu; na kutengeneza makadirio ya kihesabu ambayo ni ya kisawa kulingana na hali halisi ilivyo.

Majukumu ya Msimamizi na Mkaguzi Mkuu wa Mahesabu

Jukumu langu ni kueleza maoni yangu binafsi kuhusu taarifa za kifedha kulingana na ukaguzi wa hesabu. Ukaguzi ulifanyika kwa kuzingatia Viwango vya Uboora wa Ukaguzi wa Fedha wa Kimataifa.

Viwango hivyo vinafaa kuambatana na mahitaji ya kimaadili na kwamba ukaguzi upangwe na kufanywa kwa minajili ya kupata uhakika mzuri kwamba taarifa za hesabu hazina makosa yoyote.

Ukaguzi huo unajumuisha kushughulikiwa vizuri ili kufikia usawa na ushahidi wa kutosha wa Ukaguzi hasa kuhusu viwango vya pesa na vile vilivyotajwa kwenye taarifa ya kifedha, iwe ni kutokana na ulaghai ama makosa ya kawaida.

Kwa kutathimini hatari hizo, mkaguzi anaitilia maanani udhibiti wa ndani unaohusiana na matayarisho ya na mawasilisho ya taarifa ya kifedha ya shirika ili kutayarisha taratibu za ukaguzi ambazo ni bora kulingana na hali, lakini sio kwa minajili ya kueleza maoni kuhusu ubora wa udhibiti wa ndani wa kampuni. Ukaguzi pia unajumuisha kuangalia ubora wa kanuni za uhasibu zilizotumiwa na usawa wa makadirio ya kifedha yaliyofanywa na wakurugenzi, na vile vile kuanzisha uwasilishi mzima wa taarifa ya kifedha. Naamini kwamba ukaguzi huu unatoa msingi kamili wa maoni yangu.

Maoni

Kwa maoni yangu, vitabu muafaka vya hesabu vimewekwa na taarifa na kifedha zilizoambatanishwa nazo zinatoa hali halisi ya usawa ya maswala ya kifedha ya shirika hili hadi kufikia tarehe 31 Desemba 2008 na kuhusu faida na uingiaji wa pesa taslimu katika mwaka uliomalizika kulingana na Viwango vya Kuripoti Uboora wa Kifedha vya Kimataifa (International Financial Reporting Standards) na Sheria za Ushirika za Kenya, Kifungu cha 486 cha Sheria za Kenya.

A.S.M GATUMBU

Msimamizi na mkaguzi mkuu wa hesabu

Nairobi

28 Aprili, 2009

Income Statement



For the year ended 31 December 2008

Income	Note	2008 KShs	2007 (Restated) KShs
Gross premiums written	6	3,427,810,742	3,222,288,178
Less retrocession premiums	6	(318,720,206)	(247,754,120)
NET PREMIUMS	6	3,109,090,536	2,974,534,058
Investment income	7	1,121,539,887	1,059,967,690
Commissions receivable	9(a)	14,168,982	10,203,384
Fair value gains on revaluation of investment properties	16	565,000,000	65,620,000
Reversal of write down on inventory	24(b)	-	99,129,200
NET INCOME		4,809,799,405	4,209,454,332
Gross claims incurred		(1,564,778,616)	(1,553,459,753)
Amounts recoverable from retrocessionaires		156,919,220	88,025,743
NET CLAIMS INCURRED	8	(1,407,859,396)	(1,465,434,010)
Impairment loss on unquoted equity investment	23	(1,842,475)	-
Commissions payable	9(b)	(1,009,539,448)	(943,751,877)
Operating and other expenses	10	(664,933,709)	(596,882,017)
Rationalisation expenses	12	-	(197,097,769)
OPERATING AND OTHER EXPENSES		(1,676,315,632)	(1,737,731,663)
SHARE OF PROFIT IN ASSOCIATE COMPANY	19	33,391,042	68,142,364
PROFIT BEFORE TAXATION		1,759,015,419	1,074,431,023
TAXATION CHARGE	13(a)	(277,914,505)	(236,481,943)
PROFIT FOR THE YEAR		1,481,100,914	837,949,080
Attributable:			
General business		1,179,801,223	629,136,319
Life business		301,299,691	208,812,761
		1,481,100,914	837,949,080
EARNINGS PER SHARE	14	1.97	1.05
DIVIDENDS PER SHARE	15	0.50	0.35



Balance Sheet

As at 31 December 2008

	Note	2008 KShs	2007 (Restated) KShs
ASSETS			
Investment properties	16	3,845,000,000	3,335,620,000
Equipment	17	24,480,890	21,824,656
Intangible asset	18	11,737,970	4,280,952
Investment in associate	19	614,879,989	318,680,487
Deferred taxation asset	20	73,420,640	68,355,579
Government securities - held to maturity	21	2,836,862,607	2,549,650,194
Quoted equity instruments	22	2,214,146,188	2,698,423,695
Unquoted equity instruments available for sale	23	37,306,668	39,149,143
Inventories	24	54,069,266	468,324,049
Non current assets held for sale	25	536,858,075	316,728,875
Mortgage loans	26	462,799,358	710,542,660
Receivables arising out of reinsurance arrangements	27	1,562,779,376	1,412,561,399
Premium and loss reserves	28	290,554,541	215,447,082
Other receivables	29	33,941,659	66,679,243
Deposits with financial institutions	30	925,507,602	597,025,291
Cash and bank balances		141,255,142	139,201,568
TOTAL ASSETS		13,665,599,971	12,962,494,873
EQUITY			
Share capital	31	1,500,000,000	1,500,000,000
Revaluation reserve		7,382,979	17,088,298
Fair value reserve		1,757,792,047	2,369,946,376
Translation reserve/(deficit)		64,294,152	(45,905,547)
Statutory reserve		474,073,396	172,773,705
Retained earnings		4,200,345,267	3,213,351,970
Shareholders' funds		8,003,887,841	7,227,254,802
LIABILITIES			
Long term reinsurance liabilities	32	1,926,354,328	2,084,070,649
Short term insurance contracts:			
-Outstanding claims	33	2,287,548,861	2,014,679,333
-Unearned premiums	34	1,080,715,569	1,046,916,073
Payables arising out of reinsurance arrangements	35	84,918,640	96,942,958
Defined benefit liability	36	47,686,000	39,926,000
Other payables	37	147,096,603	444,743,680
Tax payable	13(c)	87,392,129	7,961,378
TOTAL LIABILITIES		5,661,712,130	5,735,240,071
TOTAL EQUITY AND LIABILITIES		13,665,599,971	12,962,494,873

The financial statements on pages 30 to 76 were approved by the board of directors on 28 April 2009 and were signed on its behalf by:


Directors


Directors

Statement of Changes in Equity

For the year ended 31 December 2008



Note	Share capital Sh	Capital and contingency reserves Sh	Revaluation reserve Sh	Fair value reserve Sh	Translation reserve Sh	Statutory reserve Sh	Retained earnings Sh	Total Sh
At 1 January 2007 - As previously stated	1,500,000,000	60,405,772	17,088,298	1,972,114,792	(11,068,687)	38,588,709	2,797,408,377	6,374,537,261
Prior year adjustments - Cedant balances*	-	-	-	-	-	-	245,665,864	245,665,864
- Unearned premium reserves**	-	-	-	-	-	-	(413,269,179)	(413,269,179)
- Incurred but not reported**	-	-	-	-	-	-	(30,622,948)	(30,622,948)
At 1 January 2007 - As restated	1,500,000,000	60,405,772	17,088,298	1,972,114,792	(11,068,687)	38,588,709	2,599,182,114	6,176,310,998
Share of movement in associate reserves	-	-	-	(589,409)	(34,836,860)	-	-	(35,426,269)
Profit for the year	-	-	-	-	-	208,812,761	629,136,319	837,949,080
Dividends paid - 2006	-	-	-	-	-	-	(150,000,000)	(150,000,000)
Transfer to retained earnings	-	(60,405,772)	-	-	-	-	60,405,772	-
Transfer from life fund	-	-	-	-	-	(74,627,765)	74,627,765	-
Fair value adjustments realised on disposal of available for sale equity instruments	-	-	-	(206,995,600)	-	-	-	(206,995,600)
Change in fair value of available for sale equity instruments***	-	-	-	605,416,593	-	-	-	605,416,593
At 31 December 2007	1,500,000,000	-	17,088,298	2,369,946,376	(45,905,547)	172,773,705	3,213,351,970	7,227,254,802
At 1 January 2008 - As restated	1,500,000,000	-	17,088,298	2,369,946,376	(45,905,547)	172,773,705	3,213,351,970	7,227,254,802
Share of movement in associate reserves	-	-	(54,731)	(17,380,135)	110,199,699	-	-	92,764,833
Profit for the year	-	-	-	-	-	301,299,691	1,179,801,223	1,481,100,914
Dividends paid - 2007	-	-	-	-	-	-	(210,000,000)	(210,000,000)
Transfer of excess depreciation - prior years	-	-	(17,192,074)	-	-	-	17,192,074	-
Equipment revaluation surplus	-	-	9,426,857	-	-	-	-	9,426,857
Deferred taxation thereon	-	-	(1,885,371)	-	-	-	-	(1,885,371)
Fair value adjustments realised on disposal of available for sale equity instruments	-	-	-	(101,546,226)	-	-	-	(101,546,226)
Change in fair value of available for sale equity instruments	-	-	-	(493,227,968)	-	-	-	(493,227,968)
At 31 December 2008	1,500,000,000	-	7,382,979	1,757,792,047	64,294,152	474,073,396	4,200,345,267	8,003,887,841

Included in retained earnings are reserves amounting to Sh 858,981,010 (2007 - Sh 309,981,010) relating to fair value gain on investment properties.

The prior year adjustments relate to:

* Correction of variance between cedant balances per the general ledger and the reinsurance system relating to prior years.

**Provision of IBNR and UPR on international business premiums not provided for in prior years.

***Included in Sh 605,416,593 is an impairment reversal on unquoted equity investments of Sh 25,500,000 which had been accounted for as income in the income statement in the prior year has been reversed and transferred to the fair value reserve as IAS 39, Financial Instruments: Recognition and measurement, prohibits reversal of impairment losses on equity instruments through profit or loss.

Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 KShs	2007 (Restated) KShs
Operating activities			
Cash generated from operations	38	906,175,534	708,464,249
Tax paid	13(c)	(205,434,186)	(257,635,142)
Net cash from operating activities		700,741,348	450,829,107
Investing activities			
Proceeds on sale of investment property		190,000,000	-
Purchase of equipment	17	(5,863,637)	(5,362,003)
Proceeds on equipment		-	1,109,501
Purchase of intangibles	18	(11,975,977)	(1,949,824)
Purchase of shares in associate	19	(170,043,627)	-
Net purchase of government securities		(602,392,229)	(185,335,819)
Purchase of quoted equity instruments	22	(111,903,359)	(84,529,121)
Proceeds on sale of quoted equity instruments		120,593,550	189,934,789
Proceeds on disposal of inventories		34,200,000	159,884,306
Proceeds on sale of non-current asset held for sale		82,000,000	-
Net cash used in investing activities		(475,385,279)	73,751,829
Financing activities			
Dividends paid		(210,000,000)	(150,000,000)
Net increase in cash and cash equivalents		15,356,069	374,580,936
Cash and cash equivalents at 1 January		1,459,418,605	1,084,837,669
Cash and cash equivalents at 31 December	39	1,474,774,674	1,459,418,605

1 ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The principal accounting policies adopted remain unchanged from the previous year and are set out below.

Adoption of new and revised International Financial Reporting Standards (IFRSs)

Standards and interpretations effective in the current period

The following new interpretations issued by the International Financial Reporting Interpretations Committee and revised standard are effective in the current period:

- IFRIC 12, Service Concession Arrangements (effective for accounting periods beginning on or after 1 January 2008);
- IFRIC 13, Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 July 2008);
- IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for accounting periods beginning on or after 1 January 2008);
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for accounting periods beginning on or after 1 October 2008);
- IAS 39, Financial Instruments: Recognition and Measurement, Reclassification of financial assets (effective from 1 November 2008);
- IFRS 7, Financial Instruments: Recognition and Measurement, Consequential disclosures arising from amendments to October 2008 amendments to IAS 39 (effective from 1 November 2008).

Adoption of these interpretations and the revised standard has not led to any changes in the Corporation's accounting policies.

New and revised standards and interpretations in issue not yet adopted

At the date of authorisation of these financial statements, the following revised standards and interpretations were in issue but not yet effective.

- IFRIC 15, Agreements for the construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009);
- IFRIC 17, Distributions of Non-cash Assets to Owners (effective for accounting periods beginning on or after 1 January 2009);
- IFRIC 18, Transfer of assets to Customers (effective for the accounting periods beginning on or after 1 July 2009);
- IFRS 1, First-Time Adoption of International Financial Reporting Standards – Amendment relating to cost of an investment on first-time adoption (effective for accounting periods beginning on or after 1 January 2009);
- IFRS 3, Business Combinations – Comprehension revision on applying the acquisition method (effective for accounting periods beginning on or after 1 July 2009);
- IFRS 8, Operating Segments (effective for accounting periods beginning on or after 1 January 2009); and
- IAS 23, Borrowing Costs, Comprehensive revision to prohibit immediate expensing and amendments resulting from May 2008 improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009);

1 ACCOUNTING POLICIES (Continued)

Adoption of new and revised International Financial Reporting Standards (IFRSs)

New and revised standards and interpretations in issue not yet adopted (Continued)

- IAS 27, Consolidated and Separate Financial Statements: Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 July 2009);
- IAS 28, Investments in Associates: Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 July 2009);
- IAS 31, Interest in Joint Ventures: Consequential amendments arising from amendments to IFRS 3 (effective for accounting periods beginning on or after 1 July 2009);
- IAS 32, Financial Instruments: Presentation: Amendments relating to puttable instruments and obligations arising on liquidation (effective for accounting periods beginning on or after 1 January 2009);
- IAS 39, Financial Instruments: Recognition and Measurement: Amendments for eligible hedged items (effective for accounting periods beginning on or after 1 July 2009);
- "Improvements to IFRSs" was issued in May 2008 and its requirements are effective over a range of dates, with the earliest effective date being for annual periods beginning on or after 1 January 2009. This comprises a number of amendments to IFRSs, which resulted from the IASB's annual improvements project.

Impact of the new and revised standards and interpretations in issue but not yet adopted

The following standards, in particular, will be of considerable relevance to the financial statements of the Company, when effective:

IAS 1 (Revised), Presentation of financial statements

IAS 1 (Revised), 'Presentation of financial statements' was issued in September 2007 and will be effective for annual periods beginning on or after 1 January 2009. The revised standard introduces the concept of a statement of comprehensive income, which enables users of the financial statements to analyse changes in a Corporation's equity resulting from transactions with owners separately from non-owner changes.

The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but provides the option of presenting items of income and expense and components of other comprehensive income either as a single statement of comprehensive income or in two separate statements, the income statement and statement of comprehensive income.

The previous version of IAS 1 used the titles 'balance sheet' and 'cash flow statement' to describe two of the statements within a complete set of financial statements. The revised IAS 1 uses 'statement of financial position' and 'statement of cash flows' for those statements.

IFRS 8, Operating segments

IFRS 8, 'Operating segments', replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segments will be reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

1 ACCOUNTING POLICIES (Continued)

Impact of other standards and interpretations

The directors anticipate that the adoption of the other standards and interpretations and amendments to other IFRSs resulting from the International Accounting Standards Board (IASB)'s annual improvements project published in May 2008, when effective, are not expected to have a material impact on the financial statements of the Corporation.

Basis of preparation

The financial statements are prepared under the historical cost convention as modified to include the revaluation of certain assets.

Reinsurance contracts**(i) Classification**

The Corporation underwrites reinsurance risk from reinsurance contracts or financial risk or both. Reinsurance contracts are those contracts that transfer significant reinsurance risk. Such contracts may also transfer financial risk. As a general guideline, the Corporation defines as significant reinsurance risk, the possibility of having to pay benefits on the occurrence of a reinsured event that are at least 10% more than the benefits payable if the reinsured event did not occur.

Reinsurance contracts are classified into two main categories, depending on the duration of risk and as per the provisions of the Insurance Act.

a. Short-term reinsurance business

Means reinsurance business of any class or classes not being long term reinsurance business.

Classes of General Reinsurance include Aviation, Engineering, Fire (domestic risks, industrial and commercial risks), Liability, Marine, Motor (private vehicles and commercial vehicles), Personal Accident, Theft, Workmen's Compensation, Employer's Liability and Miscellaneous (i.e. class of business not included under those listed above). The Corporation's main classes, which account for over 80% of the income, are described below.

Motor reinsurance business means the business of effecting and carrying out contracts of reinsurance against loss of, or damage to, or arising out of or in connection with the use of, motor vehicles, inclusive of third party risks but exclusive of transit risks.

Miscellaneous Accident reinsurance business means the business of effecting and carrying out contracts of reinsurance which are not principally or wholly of any types included in other classes of business but shall include reinsurance of bonds of all types, reinsurance of livestock and crop reinsurance.

Fire reinsurance business means the business of effecting and carrying out contracts of reinsurance, otherwise than incidental to some other class of reinsurance business against loss or damage to property due to fire, explosion, storm and other occurrences customarily included among the risks insured against in the fire insurance business.

1 ACCOUNTING POLICIES (Continued)

(i) Classification (continued)

b. Long-term reinsurance business

Includes reinsurance business of all or any of the following classes, namely, ordinary life reinsurance business, and group life reinsurance business and business incidental to any such class of business.

Ordinary life reinsurance business means the business of, or in relation to, the issuing of, or the undertaking of liability to pay money on death (not being death by accident or in specified sickness only) or on the happening of any contingency dependent on the termination or continuance of human life (either with or without provision for a benefit under a continuous disability reinsurance contract), and include a contract which is subject to the payment of premiums for term dependent on the termination or continuance of human life.

Group life reinsurance business means life reinsurance business, being business of, or in relation to, the issuing of or the undertaking of liability under group life and permanent health reinsurance policy.

(ii) Recognition and measurement

The results of the reinsurance business are determined on an annual basis as follows:

a. Premium income

Premiums and related expenses are accounted for in the underwriting revenue account when advised by the ceding companies. Gross earned premiums comprise gross premiums relating to risks assumed in the year after accounting for any movement in gross unearned premiums. Unearned premiums represent the proportion of the premiums written in the year that are attributable to the subsequent accounting period and are estimated at 40% of net premiums.

b. Claims incurred

Claims incurred comprise claims paid in the period and changes in the provision for outstanding claims. Claims paid represent all payments made during the period, whether arising from events during that or earlier years. Outstanding claims represent the estimated ultimate cost of settling all claims arising from incidents occurring prior to the balance sheet date, but not settled at that date. Outstanding claims are computed on the basis of the best information available at the time the records for the period are closed and include provisions for claims incurred but not reported ("IBNR") which is calculated at 5% of gross premiums written less reinsurances.

c. Liability adequacy test

At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss by establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

Long-term reinsurance contracts are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

1 ACCOUNTING POLICIES (Continued)

(ii) Recognition and measurement (continued)

d. Retrocession contracts held

Contracts entered into by the Corporation with retrocessionnaires under which the Corporation is compensated for losses on one or more contracts issued by the Corporation and that meet the classification requirements for reinsurance contracts are classified as retrocession contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

The benefits to which the Corporation is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Corporation assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Corporation reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The Corporation gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

e. Receivable and payables related to reinsurance contracts

Receivables and payables are recognised when due. These include amounts due to and from cedants and brokers.

If there is objective evidence that the reinsurance receivable is impaired, the Corporation reduces the carrying amount of the reinsurance receivable accordingly and recognises that impairment loss in the income statement. The Corporation gathers the objective evidence that a reinsurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets.

f. Premium and loss reserves

Premium and loss reserves relate to premiums retained by cedants as a deposit for due performance of obligations by the reinsurers. The percentage retained varies from one treaty to another and from one company to another. Premium and loss reserves are recognised when retained by the cedants. Premiums retained are subsequently released to the reinsurer at the expiry of the policy period. Premiums retained accrue interest at the rate of 6%.

Other income recognition

Commissions receivable are recognised as income in the period in which they are earned.

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

Dividends are recognised as income in the period in which the right to receive payment is established.

1 ACCOUNTING POLICIES (Continued)

Foreign currency transactions

The financial statements are presented in Kenya shillings (Sh) which is the Corporation's functional and presentation currency.

Transactions in foreign currencies during the period are converted into Kenya Shillings at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date, which are expressed in foreign currencies, are translated into Kenya Shillings at rates ruling at the balance sheet date. The resulting differences from conversion and translation are dealt with in the income statement in the period in which they arise.

Taxation

Tax on the income statement for the year comprises current tax and the change in deferred tax. Current taxation is provided for on the basis of the results for the period as shown in the financial statements, adjusted in accordance with tax legislation.

Deferred taxation is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and the unused tax credits can be utilised.

Deferred tax is calculated on the basis of the tax rates currently enacted.

Investment properties

Investment properties comprise land and buildings and parts of buildings held to earn rentals and/or for capital appreciation. Investment properties are carried at fair value, representing market value determined by external independent valuers. Changes in their carrying value between balance sheet dates are adjusted through the income statement. On disposal of an investment property, the difference between the proceeds and the carrying value is charged or credited to the income statement.

Equipment

Equipment are stated at cost or valuation less depreciation and any accumulated impairment losses.

Depreciation

Depreciation is calculated on the straight line basis to write off the cost or valuation of the equipment over their expected useful lives at the following annual rates:-

Freehold land	Nil
Building	2.5%
Computer equipment	25.0%
Motor vehicles	25.0%
Furniture, fittings and equipment	12.5%

Increases in the carrying value of buildings arising on revaluation are credited to the revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserves; all other decreases are charged to the income statement. On subsequent disposal of revalued assets, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to the retained earnings.

1 ACCOUNTING POLICIES (Continued)

Intangible assets

Generally, costs associated with developing computer software programmes are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable and unique product, which will be controlled by the Corporation and has a probable benefit exceeding the cost beyond one year, are recognised as intangible assets.

Expenditure which enhances and extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight line method over their useful lives, not exceeding a period of three years.

Impairment

At each balance sheet date, the Corporation reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Any impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets classified as held for sale are measured at the lower of the asset's previous carrying amount and the market value less costs to sell.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Corporation as a lessee. All other leases are classified as operating leases.

Corporation as a lessor

Rental income from operating leases is recognised on the straight line basis over the term of the relevant lease.

Corporation as a lessee

Rentals payable under operating leases are charged to income on the straight-line basis over the term of the relevant lease. Any payment required to be made to the lessor by way of penalty, for termination of leases before the expiry of the lease period, is recognised in the year in which termination takes place.

1 ACCOUNTING POLICIES (Continued)

Corporation as a lessee (continued)

Payments to acquire leasehold interests in land are treated as prepaid operating lease rentals and amortised over the period of the lease.

Inventories

Inventories comprise housing units for sale.

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The cost of items transferred from equipment and investment properties is their value at the date of transfer.

Revaluation reserve

The revaluation reserve relates to equipment. The reserve is non-distributable.

The revaluation surplus represents the surplus on the revaluation of buildings and freehold land (included within equipment), net of deferred tax. Movements in the revaluation reserve are shown in the statement of changes in equity.

Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised.

Translation reserve

The translation reserve relates to foreign exchange movement on the net investment in PTA Re, an associate company accounted for under the equity method.

Statutory reserve

The statutory reserve represents actuarial surpluses from the long term business whose distribution is subject to restrictions imposed by the Insurance Act. The Act restricts the amounts of surpluses of the long-term business available for distribution to shareholders to 30% of the accumulated profits of the long term business

Investments in associates

Investments in associated undertakings are accounted for by the equity method of accounting. These are undertakings in which the Corporation has between 20% and 50% of the voting rights and over which the Corporation exercises significant influence but which it does not control.

Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Corporation's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Corporation's interest in that associate are recognised only to the extent that the Corporation has incurred legal or constructive obligations or made payments on behalf of the associate. A listing of the Corporation's associated undertakings is shown in note 19.

Investments in associates are accounted for at cost less any accumulated impairment losses in the books of the Corporation.

1 ACCOUNTING POLICIES (Continued)

Financial instruments

The Corporation classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date. The classification depends on the purpose for which the investments were acquired.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit making, or if so designated by management.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Corporation provides money directly to a debtor with no intention of trading the receivable. These include mortgage advances to customers and placements with other banks.

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation's management has the positive intention and ability to hold to maturity. Were the Corporation to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale. These include treasury bills, treasury bonds and government stock.

Available-for-sale financial assets

This category represents financial assets that are not (a) financial assets at fair value through profit or loss, (b) loans and receivables, or (c) financial assets held to maturity.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Corporation has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of "financial assets at fair value through profit or loss" are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement.

Financial liabilities

All financial liabilities are initially measured at fair value net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method.

Employee entitlements

Entitlements to annual leave are recognised when they accrue to employees. Provision is made for the estimated liability in respect of annual leave accrued on the balance sheet date.

1 ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents include short term liquid investments which are readily convertible into known amounts of cash and which are within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

Retirement benefits obligations

The Corporation operates a defined benefits pension scheme for its employees. The assets of this scheme are held in a separate trustee administered fund. The scheme is funded by contributions from both the employees and the employer. Contributions are determined by the rules of the scheme. The cost of providing retirement benefits is assessed using the attained age method by qualified actuaries. The scheme is valued annually.

The Corporation also contributes to the statutory defined contribution pension scheme, the National Social Security Fund (NSSF). The contributions to this scheme are determined by local statute and are currently limited to Sh 200 per employee per month.

The corporation's obligations to retirement benefits schemes are charged to the income statement as they fall due.

Dividends

Dividends are charged to equity in the period in which they are declared.

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period.

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Corporation makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The ultimate liability arising from claims payable under reinsurance contracts

The main assumption underlying techniques applied in the estimation of this liability is that a company's past claims experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by event years. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved. A margin for adverse deviation may also be included in the liability valuation.

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Reinsurance income and expense transactions

The Corporation adopted a third quarter cut-off date for recording its reinsurance income and expenses in 2006. Consequently, the fourth quarter numbers have been booked based on estimates arrived at together with the support of the Corporation's actuary.

Reinsurance premiums receivable has been estimated by annualising the income recorded on statements received from cedent companies, based on annual premium projections provided by them.

Retrocession premiums payable, commissions receivable and commissions payable have been estimated by application of the appropriate ratios to the annualised reinsurance premiums receivable.

Outstanding claims have been projected using chain ladder techniques.

Impairment losses

At each balance sheet date, the Corporation reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash generating unit to which the asset belongs.

Useful lives of equipment

The Corporation reviews the estimated useful lives equipment at the end of each annual reporting period.

3 RISK MANAGEMENT OBJECTIVES AND POLICIES

The Corporation's activities expose it to a variety of financial risks, including liquidity risk, credit risk and the effects of changes in foreign currency exchange rates and interest rates. The Corporation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by the finance department under policies approved by the Board of Directors. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, and services offered. The corporation, through its training, management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees/stakeholders understand their roles and obligations.

(a) Liquidity risk

Liquidity risk is current or prospective risk to earnings and capital arising from the Corporation's failure to meet its maturing obligations when they fall due without incurring unacceptable losses. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation.

To this end, there is a Board approved policy to effectively manage liquidity at all times to meet claims payable, regulatory requirements (cash reserve ratio), unexpected outflow/non-receipt of expected inflow of funds as well as ensure adequate diversification of funding sources. The Investment Committee undertakes balance sheet liquidity management and scenario analysis as per the policy on a bi-weekly basis.

3 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Liquidity risk (continued)

Funds are raised mainly from reinsurance premiums and investment income and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Corporation continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Corporation strategy.

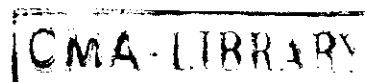
In addition the Corporation holds a portfolio of liquid assets as part of its liquidity risk management strategy.

Contractual maturity analysis of financial liabilities

The table below analyses the liquidity position of the Corporation's financial liabilities. The amounts disclosed in the table below are the contractual undiscounted cash flows as the impact of discounting is not significant.

	Due on Demand Sh	Due after 1 year Sh	Total Sh
31 December 2008:			
Financial liabilities			
Long-term insurance liabilities	-	1,926,354,328	1,926,354,328
Short-term insurance contracts			
Outstanding claims	2,287,548,861	-	2,287,548,861
Unearned premiums	1,080,715,569	-	1,080,715,569
Payables arising out of reinsurance arrangements	84,918,640	-	84,918,640
Other payables	147,096,603	-	147,096,603
Defined benefit liability	47,686,000	-	47,686,000
Total	3,647,965,673	1,926,354,328	5,574,320,001

31 December 2007:



Financial liabilities			
Long-term insurance liabilities	-	2,084,070,649	2,084,070,649
Short-term insurance contracts			
Outstanding claims	2,014,679,333	-	2,014,679,333
Unearned premiums	1,046,916,073	-	1,046,916,073
Due to cedants and reinsurers	96,942,958	-	96,942,958
Other payables	444,743,680	-	444,743,680
Defined benefit liability	39,926,000	-	39,926,000
Total	3,643,208,044	2,084,070,649	5,727,278,693

3 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Market risk

Management of market risk

Market risk is the risk that changes in market prices, such as interest rate and foreign exchange rates will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Overall authority for market risk is vested in the board of directors. The board of directors is responsible for the development of detailed risk management policies and for the day-to-day review of their implementation.

(i) Interest rate risk

Exposure to interest rate risk

The principal risk to which financial assets and liabilities are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing bands. The board of directors is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities.

The table below summarises the exposure to interest rate risks and the Corporation's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates:

	Average interest rate %	Due on Demand Sh	Due within 3 months Sh	Due between 3 & 12 months Sh	Due between 1 & 5 years Sh	Due after 5 years Sh	Total Sh
31 December 2008:							
Financial assets							
Cash and bank balances and							
deposits with financial institutions	6.76	141,255,142	-	925,597,602	-	-	1,474,864,674
Investment in government securities	8.24	-	408,011,930	256,523,777	1,709,348,435	462,978,465	2,836,862,607
Mortgage loans	13.54	-	12,628,675	36,589,289	172,679,460	240,901,934	462,799,358
At 31 December 2008		141,255,142	420,640,605	1,218,710,668	1,882,027,895	703,880,399	4,366,514,709

31 December 2007:

Financial assets							
Cash and bank balances and deposits							
with financial institutions	6.10	139,201,568	-	597,025,291	-	-	1,459,418,605
Investment in government securities	8.61	-	723,191,746	70,445,280	673,796,911	1,082,216,257	2,549,650,194
Mortgage loans	11.25	-	28,477,654	85,432,962	455,642,642	140,989,402	710,542,660
At 31 December 2007		139,201,568	751,669,400	752,903,533	1,129,439,553	1,223,205,659	3,996,419,713

3 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Market risk (continued)

(i) Interest rate risk

Sensitivity analysis interest rate risk

The interest earning financial assets that the Corporation holds include investments in government securities, mortgage loans and short-term deposits. All these are fixed interest instruments, changes in interest rates.

Liabilities under short term insurance contracts are not interest bearing. For liabilities under long term re-insurance contracts, with fixed terms, changes in interest rate will not cause a change to the amount of the liability.

An increase/decrease of 5 percentage points in interest yields would result in a increase/(decrease) in profit before tax for the year by Sh 190,857,881 (2007: Sh 156,701,320).

(ii) Currency rate risk

The Corporation underwrites reinsurance contracts from cedants in various currencies. The corporation invests in assets denominated in the same currencies as their insurance liabilities, which eliminates the foreign currency exchange rate risk.

(iii) Price risk

The Corporation is exposed to equity securities price risk as a result of its holdings in equity investments which are listed and traded on the Nairobi and Dar-es-Salaam Stock Exchanges and which are classified as available for sale financial assets. Exposure to equity price risks in aggregate is monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes.

The Corporation has a defined investment policy which sets limits on the Corporation's exposure to equities both in aggregate terms and by category/share. This policy of diversification is used to manage the Corporation's price risk arising from its investments in equity securities.

If equity market indices had increased/decreased by 5%, with all other variables held constant, the revaluation reserve for the year would increase/decrease by Sh 121,442,534 (2007: Sh 91,322,922).

c) Credit risk

The Corporation has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Corporation is exposed to credit risk are:

- amounts due from reinsurers in respect of claims already paid;
- amounts due from cedants;
- amounts due from re-insurance intermediaries; and
- mortgage advances to its customers and staff.

The Corporation structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or Corporations of counterparty, and to geographical and industry segments. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are approved quarterly by the Board of Directors.

3 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

The creditworthiness of cedants is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Corporation maintain records of the payment history for significant contract holders with whom they conduct regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Corporation. Management information reported to the Corporation includes details of provisions for impairment on due from cedants and subsequent write-offs.

Exposure to credit risk	2008 Sh	2007 Sh
Held to maturity instruments		
Investments in government securities	2,836,862,607	2,549,650,154
Deposits with financial institutions	925,507,602	597,025,291
Cash and bank balances	141,255,142	130,201,568
Loans and receivables at amortized cost		
Mortgage loans	462,799,358	710,542,660
Receivables arising out of reinsurance arrangements	1,562,779,376	1,412,561,399
Premium and loss reserves	290,554,251	215,447,082
Other receivables	33,941,659	66,679,243
Total assets bearing credit risk	6,253,699,595	5,682,107,397

Impairment losses

The aging of receivables arising out of reinsurance arrangements at the reporting date was:

Days	Gross 2008 Sh	Impairment 2008 Sh	Net 2008 Sh	Gross 2007 Sh	Impairment 2007 Sh	Net 2007 Sh
0-120	233,856,306	-	233,856,306	402,531,485	-	402,531,485
121-240	510,510,423	-	510,510,423	951,333,030	-	951,333,030
More than 241	1,034,865,127	(216,452,480)	818,412,647	243,081,752	(184,384,868)	58,696,884
	1,779,231,856	(216,452,480)	1,562,779,376	1,596,946,267	(184,384,868)	1,412,561,399

The finance department continues to follow up on the impaired debt.

3 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

d) Reinsurance risk

The Corporation reinsures all classes of insurance business including accident, engineering, liability, motor, fire, aviation and life. The bulk of the business written is of a short-tail nature.

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, the risk is random and therefore unpredictable.

The Corporation has developed a detailed underwriting procedures manual covering risk acceptance criteria, pricing, accumulation control, authority levels and reinsurance protection. The procedures guide the underwriters in their acceptances, on the principles of prudence and professionalism as well as with an overall objective of diversifying the type insurance risks accepted.

The Corporation enters into retrocession arrangements with reputable retrocessionaires to diversify its risks and reduce the risk catastrophic loss on reinsurance assumed. As part of its annual renewals, the financial condition of retrocessionaires is reviewed. As a result retrocession is placed with a select group of financially secure and experienced companies in the industry.

Risk measurement and control

Interest rate, credit, liquidity, operational risk and other risks are actively managed by independent risk control to ensure compliance with the Corporation's risk limits. The Corporation's risk limits are assessed regularly to ensure their appropriateness given the Corporation's objectives and strategies and current market conditions.

4 CAPITAL MANAGEMENT

The Corporation maintains an efficient capital structure from a combination of equity shareholders' funds and borrowings, consistent with the Corporation's risk profile and market requirements of its business.

The Corporation's objectives in managing its capital are:

- To comply with the insurance capital requirements required by the regulators of the insurance industry of Sh 500,000,000. Currently, the Corporation is in excess of this requirement at a share capital of Sh 1,500,000,000.
- to match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- to maintain financial strength to support new business growth;
to satisfy the requirements of its reinsured and rating agencies;
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- to allocate capital efficiently to support growth
- to safeguard the Corporation's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital and the level of dividends to ordinary shareholders.

5 SEGMENTAL REPORTING (continued)

	General business		Life business		Total	
	2008 Sh	2007 Sh	2008 Sh	2007 Sh	2008 Sh	2007 Sh
Gross insurance premium	2,856,502,924	2,641,366,312	571,307,818	580,921,866	3,427,810,742	3,222,288,178
Insurance premium ceded to reinsurers	(188,442,227)	(205,129,303)	(130,277,979)	(42,624,817)	(318,720,206)	(247,754,120)
Net premium	2,668,060,697	2,436,237,009	441,029,839	538,297,049	3,109,090,536	2,974,534,058
Investment income and gains	950,915,589	909,595,849	170,624,298	150,371,841	1,121,539,887	1,059,967,690
Commissions receivable	605,520	908,771	13,563,462	9,294,613	14,168,982	10,203,384
Fair value gain on investment properties	565,000,000	65,620,000	-	-	565,000,000	65,620,000
Reversal of write down inventory	-	99,129,200	-	-	-	99,129,200
Impairment reversal on unquoted equity investment	-	25,500,000	-	-	-	25,500,000
Net income	4,184,581,806	3,536,990,829	625,217,599	697,963,503	4,809,799,405	4,234,954,332
Gross claims incurred	(1,408,957,341)	(1,229,363,246)	(313,537,596)	(324,096,507)	(1,722,494,937)	(1,553,459,753)
Decrease in actuarial value of policyholder liabilities	-	-	157,716,321	-	157,716,321	-
Amounts recoverable from retrocessionaires	72,733,283	81,513,325	84,185,937	6,512,418	156,919,220	88,025,743
Net claims incurred	(1,336,224,058)	(1,147,849,921)	(71,635,338)	(31,7584,089)	(1,407,859,396)	(1,465,434,010)
Impairment loss on unquoted equity investment	(1,842,475)	-	-	-	(1,842,475)	-
Commissions payable	(846,720,627)	(801,995,255)	(162,818,821)	(141,756,622)	(1,009,539,448)	(943,751,877)
Management expenses	(575,469,960)	(573,970,404)	(89,463,749)	(22,911,609)	(664,933,709)	(596,882,013)
Rationalisation expenses	-	(190,199,347)	-	(6,898,422)	(197,097,769)	-
Operating and other expenses	(1,424,033,062)	(1,566,165,006)	(252,282,570)	(171,566,653)	(1,676,315,632)	(1,737,731,659)
Share of profit in associate	33,391,042	68,142,360	-	-	33,391,042	68,142,360
Profit before taxation	1,457,715,728	891,118,262	301,299,691	208,812,761	1,759,015,419	1,099,931,023

5 SEGMENTAL REPORTING (continued)

Other information

	General business		Life business		Total	
	2008 Sh	2007 Sh	2008 Sh	2007 Sh	2008 Sh	2007 Sh
Segments assets	11,184,720,307	10,744,478,664	2,480,879,664	2,218,016,209	13,665,599,971	12,962,494,873
Segment liabilities	3,670,971,395	3,630,404,671	1,990,740,735	2,104,835,400	5,661,712,130	5,735,240,071
Net assets	7,513,748,912	7,114,073,993	490,138,929	113,180,809	8,003,887,841	7,227,254,802
Capital expenditure	17,839,614	7,311,827	-	-	17,839,614	7,311,827
Depreciation expense	13,177,169	37,779,610	-	-	13,177,169	37,779,610

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period. Segment revenue is based on the geographical location of both customers and assets.

Segment assets consist primarily of investments that match insurance liabilities.

Secondary segment information

Due to the nature of the business it is not possible to allocate revenues based on the geographical regions covered.

6 NET PREMIUM

	2008 Sh	2007 Sh
Gross premiums written:		
Long term insurance contracts	571,307,818	580,921,866
Short term insurance contracts:		
Premium receivables	2,890,302,420	2,822,419,494
Change in unearned premium reserve	(33,799,496)	(181,053,182)
	3,427,810,742	3,222,288,178
Retrocession premiums:		
Short term contracts	(188,442,227)	(205,129,303)
Long term insurance contracts	(130,277,979)	(42,624,817)
	(318,720,206)	(247,754,120)
Net premiums	3,109,090,536	2,974,534,058

7 INVESTMENT INCOME

	2008 Sh	2007 Sh
i) Short term insurance business		
Rental income from investment properties	318,929,954	337,871,497
Interest on government securities held to maturity	157,330,170	129,353,552
Gain on disposal of available for sale quoted equity instruments	119,186,878	186,786,566
Dividends receivable	99,347,479	111,277,574
Net foreign exchange gain/(loss)	81,474,214	(53,390,035)
Interest on commercial mortgages	62,351,152	66,737,796
Interest on deposits with financial institutions	30,867,594	33,464,255
Gain on disposal of investment property	26,380,000	-
Gain on disposal of non-current asset held for sale	20,000,000	-
Other income	16,251,685	38,727,673
Gain on disposal of inventories	10,074,417	45,526,724
Interest on staff mortgages & loans	8,722,046	13,240,247
	950,915,589	909,595,849
ii) Long term insurance business		
Interest on government securities	87,713,960	74,050,081
Rental income	82,910,338	76,321,760
	170,624,298	150,371,841
Total investment income	1,121,539,887	1,059,967,690

8 CLAIMS INCURRED

Short term insurance contracts:	Gross Sh	2008 Reinsurance Sh	Net Sh	Gross Sh	2007 Reinsurance Sh	Net Sh
- Claims paid	1,136,087,813	(72,733,283)	1,063,354,530	1,206,430,591	(81,513,325)	1,124,917,266
- Changes in the provision for outstanding claims	272,869,528	-	272,869,528	22,932,655	-	22,932,655
Claims incurred	1,408,957,341	(72,733,283)	1,336,224,058	1,229,363,246	(81,513,325)	1,147,849,921
Long term insurance Contracts:						
Claims paid	313,537,596	(84,185,937)	229,351,659	324,096,507	(6,512,418)	317,584,089
Decrease in actuarial liability	(157,716,321)	-	(157,716,321)	-	-	-
Claims incurred	155,821,275	(84,185,937)	71,635,338	324,096,507	(6,512,418)	317,584,089
Total claims	1,564,478,616	(156,919,220)	1,407,859,396	1,553,459,753	(88,025,743)	1,465,434,010

9 COMMISSIONS

	2008 Sh	2007 Sh
a) Commissions receivable		
Short term insurance contracts	605,520	908,771
Long term insurance contracts	13,563,462	9,294,613
	14,168,982	10,203,384
b) Commissions payable		
Short term insurance contracts	846,720,627	801,995,255
Long term insurance contracts	162,818,821	141,756,622
	1,009,539,448	943,751,877

10 OPERATING AND OTHER EXPENSES

	2008 Sh	2007 Sh
Staff costs (note 11)		
Depreciation	199,314,903	245,056,343
Amortisation	8,658,210	35,071,861
Auditors' remuneration	4,518,959	2,707,749
Directors' emoluments:	3,400,000	4,676,665
- Other emoluments		
- Fees	12,000,000	10,280,569
Impairment of equipment	2,760,000	1,920,000
Mortgages provisions	3,976,050	-
Bad debts provision	53,215,552	9,493,929
Annual General Meeting expenses	32,067,612	24,789,793
Impairment of unquoted equity instruments	31,379,522	-
Investment property direct operating expenses	1,842,475	-
Other expenses	134,548,568	102,415,832
	177,251,858	160,469,276
	664,933,709	596,882,017
Allocated as follows:		
Long term insurance		
Investment	89,463,749	22,911,610
Short term insurance	219,428,124	177,043,866
	356,041,836	396,926,541
Total expenses	664,933,709	596,882,017

11 STAFF COSTS

Salaries and wages		
Other emoluments	110,534,742	135,669,537
Retirement benefit costs (note 36)	48,992,917	57,048,948
Medical expenses	22,174,000	26,025,000
Leave allowance	12,701,464	15,678,227
National social security benefit costs	11,304,092	12,392,601
Leave pay provision	156,800	210,800
	(6,549,112)	(1,968,770)
	199,314,903	245,056,343

12 RATIONALISATION EXPENSES

Rationalisation expenses are allocated as follows:

Long term insurance	-	6,898,422
Investment	-	59,129,331
Short term insurance	-	131,070,016
	-	197,097,769

During the 2007, the Corporation undertook a voluntary early retirement program. The costs relates to benefits accrued to pay employees who opted to retire early.

Notes (continued)

13 TAXATION CHARGE

	2008 Sh	2007 Sh
(a) Taxation charge		
Current tax at 20% (2007: 30%) on the taxable profit for the year	284,864,937	269,281,101
- Current year	-	165,325
- Prior year under provision		
	284,864,937	269,446,426
Deferred taxation charge/(credit) (Note 20)	11,730,206	(32,964,483)
- Current year	(41,465,831)	-
- Prior year under provision	22,785,193	-
- Effect of reduction in tax rate		
	(6,950,432)	(32,964,483)
	277,914,505	236,481,943
(b) The company's current tax charge is computed in accordance with income tax rules applicable to composite Kenyan insurance companies. A reconciliation of the tax charge is shown below		
	2008 Sh	2007 Sh
Short term business profit before taxation	1,457,715,728	865,618,262
Long term business profit before taxation	301,299,691	208,812,761
Profit before taxation	1,759,015,419	1,074,431,023
Tax applicable rate of 20% (2007: 30%)	291,543,146	259,685,479
Tax effects of non taxable income	(162,261,710)	(45,757,191)
Tax effect of transfer from life fund	-	22,388,330
Tax effect of non-deductible expenses	167,313,707	-
Tax effect of reduction in tax rate	22,785,193	-
Prior year under provision	(41,465,831)	165,325
	277,914,505	236,481,943
(c) Taxation payable/(recoverable)		
At 1 January	7,961,378	(3,849,906)
Charge for the year	284,864,937	269,446,426
Paid in the year	(205,434,186)	(257,635,142)
At 31 December	87,392,129	7,961,378

14 EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit after tax by the average number of ordinary shares in issue during the year.

	2008	2007
Profit attributable to ordinary shareholders	1,179,801,223	629,136,319
Number of ordinary shares in issue	600,000,000	600,000,000
Basic and diluted earnings per ordinary share (Sh)	1.97	1.05

At a Board of Directors meeting held on 31 May 2007, the directors resolved that each of the ordinary shares of Sh 10 in the capital of the Corporation both issued and unissued, be subdivided into four shares of Sh 2.50 each. Basic earnings per share has been calculated by dividing the profit for the year attributable to equity holders of the parent company by the number of ordinary shares in issue at the balance sheet date. The basic and diluted earnings per share are the same as there are no dilutive effects on earnings.

15 DIVIDENDS

The directors propose the payment of a first and final dividend of Sh 0.50 (2007 – Sh 0.35) per share totalling to Sh 300,000,000 in respect of the year ended 31 December 2008 (2007 – Sh 210,000,000). This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

The dividend is payable subject to, where applicable, deduction of withholding tax as required under the Kenyan Income Tax Act, Chapter 470 Laws of Kenya.

The movement in dividend payable account is as follows:

	2008 Sh	2007 Sh
Dividends payable		
At 1 January	-	-
Dividend declared	210,000,000	150,000,000
Dividends paid	(210,000,000)	(150,000,000)
At 31 December	-	-
Proposed dividend per share (Sh)	0.50	0.35

16 INVESTMENT PROPERTIES

	2008 Sh	2007 Sh
At fair value		
At 1 January	3,335,620,000	3,270,000,000
Revaluation surplus	565,000,000	65,620,000
Disposal	(55,620,000)	-
At 31 December	3,845,000,000	3,335,620,000

- (i) Investment properties comprise office building held to earn rentals and capital appreciation and land acquired for development of office property and housing projects for rental and/or capital appreciation
- (ii) The valuation of investment properties was last carried out by Gimco Ltd, professional independent valuers as at 16 September 2008. The basis of valuation was open market value. The fair value gain arising from the revaluation was charged to the income statement.

17 EQUIPMENT

	Motor vehicles Sh	Computers Sh	Furniture & fixtures Sh	Equipment Sh	Total Sh
Cost or valuation					
At 1 January 2007	18,929,247	72,338,584	37,679,327	577,055,132	706,002,290
Additions	-	4,220,016	1,141,987	-	5,362,003
Disposals	(7,121,246)	-	-	-	(7,121,246)
At 1 January 2008	11,808,001	76,558,600	38,821,314	577,055,132	704,243,047
Additions	2,878,000	2,592,924	392,713	-	5,863,637
Written off	(11,786,001)	(74,682,100)	(22,955,410)	(575,174,855)	(684,598,366)
At 31 December 2008	2,900,000	4,469,424	16,258,617	1,880,277	25,508,318
COMPRISING					
Cost	-	-	-	-	-
Valuation – 2008	2,900,000	4,469,424	16,258,617	1,880,277	25,508,318
	2,900,000	4,469,424	16,258,617	1,880,277	25,508,318
Depreciation					
At 1 January 2007	15,114,415	62,590,820	26,932,393	548,900,148	653,537,776
Charge for the year	1,752,415	4,625,205	2,616,364	26,077,877	35,071,861
Disposals	(6,191,246)	-	-	-	(6,191,246)
At 1 January 2008	10,675,584	67,216,025	29,548,757	574,978,025	682,418,391
Charge for the year	1,802,686	3,797,897	2,381,249	676,378	8,658,210
Eliminated on write off	(11,786,001)	(74,682,100)	(22,955,410)	(575,174,855)	(684,598,366)
Impairment loss	-	3,947,517	-	28,533	3,976,050
Eliminated on revaluation	(511,019)	-	(8,915,838)	-	(9,426,857)
At 31 December 2008	181,250	279,339	58,758	508,081	1,027,428
Net book value					
At 31 December 2008	2,718,750	4,190,085	16,199,859	1,372,196	24,480,890
At 31 December 2007	1,132,417	9,342,575	9,272,557	2,077,107	21,824,656

Equipment were revalued on 16 September 2008 by independent professional valuers, Gimco Limited. The bases of the revaluation were:

- Equipment - Open market value
- Others - Depreciated replacements cost

18 INTANGIBLE ASSETS

	2008 Sh	2007 Sh
Cost		
At 1 January	14,359,492	12,409,668
Additions	11,975,977	1,949,824
At 31 December	26,335,469	14,359,492
Amortisation		
At 1 January	10,078,540	7,370,791
Charge for the year	4,518,959	2,707,749
At 31 December	14,597,499	10,078,540
Net book value		
At 31 December	11,737,970	4,280,952

19 INVESTMENT IN ASSOCIATE

At 1 January	318,680,487	285,964,392
Additional shares purchased	170,043,627	-
Adjusted carrying amount	488,724,114	285,964,392
Share of profit for the year	33,391,042	68,142,364
Share of revaluation reserve	(54,731)	-
Share of fair value reserve	(17,380,135)	(589,409)
Share of translation reserve	110,199,699	(34,836,860)
At 31 December	614,879,989	318,680,487

This is an investment in ZEP-Re (PTA Reinsurance) company which is a reinsurance company that underwrites all classes of life and non-life reinsurance risks.

Summary financial information for ZEP-Re.

The associate's year end is 31 December. The associate company is exempt from all forms of taxation. The presentation currency for ZEP-Re is the US dollars. the following exchange rates have been applied in converting the balances to Kenya shillings:

	2008 Sh	2007 Sh
Closing rate	76.85	63.97
Average rate	68.43	67.82
Ownership	25.544%	21.298%

19 INVESTMENT IN ASSOCIATE (Continued)

	2008 Sh	2007 Sh
Total assets	4,954,014,672	3,414,343,672
Total liabilities	2,546,874,091	1,918,033,300
Net assets	2,407,140,581	1,496,310,372
Corporation's share of net assets of associate	614,879,989	318,680,487
Revenues	2,904,019,544	1,162,221,550
Expenses	2,773,299,837	805,764,003
Profit for the year	130,719,707	356,457,547
Corporation's share of associate's profit	33,391,042	68,142,364

During the year, a dividend of Sh Nil (2007 – Sh 7,775,084) was received.

20 DEFERRED TAXATION

Deferred income taxes are calculated on all temporary differences under the liability method using the enacted tax rate of 20%.

	2008 Sh	2007 Sh
The net deferred taxation asset is attributable to the following items:		
Deferred tax assets:		
Excess depreciation over capital allowances	14,993,247	19,849,445
Leave pay provision	1,822,039	4,697,792
Unrealised exchange losses	-	16,017,011
Defined benefit liability	9,537,200	11,977,800
Other provisions	65,248,368	15,813,531
	91,600,854	68,355,579
Deferred tax liabilities:		
Revaluation surpluses - equipment	1,885,371	-
Unrealised exchange gains	16,294,843	-
	18,180,214	-
	73,420,640	68,355,579

20 DEFERRED TAXATION (Continued)

	2008 Sh	2007 Sh
The movement on the deferred taxation account during the year was as follows:		
At 1 January	68,355,579	35,391,096
Charge/(credit) to income statement (note 13)		
- Current year	(11,730,206)	32,964,483
- Prior year	41,465,831	-
- Charge directly to equity	(1,885,371)	-
- Effect of reduction in tax rate	(22,785,193)	-
At 31 December	73,420,640	68,355,579

21 GOVERNMENT SECURITIES

Held to maturity

Treasury bills and bonds maturing as follows:

- Within 3 months	408,011,930	723,191,746
- Within 4 to 12 months	256,523,777	70,445,280
- Within 1 to 5 years	1,709,348,435	673,796,911
- Over 5 years	462,978,465	1,082,216,257
	2,836,862,607	2,549,650,194

Treasury bonds amounting to Sh 739,850,000 (2007 – Sh 739,850,000) are held under lien by the Commissioner of Insurance. The weighted average effective interest rates on the government securities was 8.24% (2007- 8.61%).

22 QUOTED EQUITY INSTRUMENTS

	2008 Sh	2007 Sh
Available for sale		
At fair value		
At 1 January	2,698,423,695	2,244,121,804
Fair value (loss)/ gain	(493,227,968)	579,916,593
Purchases	111,903,359	84,529,215
Disposal of shares	(102,952,898)	(210,143,917)
At 31 December	2,214,146,188	2,698,423,695

23 UNQUOTED EQUITY INSTRUMENTS

	2008 Sh	2007 Sh
Available for sale		
At cost		
Cost		
At 1 January and 31 December	50,149,143	50,149,143
Impairment provision		
At 1 January	(11,000,000)	(36,500,000)
Impairment (provision)/ reversal	(1,842,475)	25,500,000
At 31 December	(12,842,475)	(11,000,000)
Net carrying value		
At 31 December	37,306,668	39,149,143

24 INVENTORIES

a) Cost

Housing units for sale	78,194,849	192,552,430
Land held for sale	550,704,327	550,704,327
	628,899,176	743,256,757
Disposals	(24,125,583)	(114,357,581)
Transfer to non current assets held for sale (note 25)	(550,704,327)	-
Impairment provision (note 24(b))	-	(160,575,127)
	54,069,266	468,324,049

b) Impairment loss

At 1 January	160,575,127	259,704,327
Impairment loss reversed	-	(99,129,200)
Transfer to non current assets held for sale (note 25)	(160,575,127)	-
At 31 December (note 24(a))	-	160,575,127

Inventories comprise housing units for sale.

25 NON CURRENT ASSETS HELD FOR SALE

	2008 Sh	2007 Sh
Cost or valuation		
At 1 January	340,661,706	340,661,706
Disposal	(170,000,000)	-
Transfer from inventories (note 24)	550,704,327	-
At 31 December	721,366,033	340,661,706
Depreciation		
At 1 January and 31 December	23,932,831	23,932,831
Impairment		
Transfer from inventories (note 24)	160,575,127	-
At 31 December	160,575,127	-
Net book value		
At 31 December	536,858,075	316,728,875

The non current assets held for sale relate to a sports complex and land which the Corporation intends to sell within the next 12 months.

26 MORTGAGE LOANS

	2008 Sh	2007 Sh
Commercial mortgages	419,506,264	515,903,375
Staff mortgages	153,082,453	251,213,091
Less: impairment provision	572,588,717 (109,789,359)	767,116,466 (56,573,806)
	462,799,358	710,542,660
Maturity profile of mortgage loans:		
Within 1 year	49,217,964	113,910,616
In 1 to 5 years	172,679,460	455,642,642
Over 5 years	240,901,934	140,989,402
	462,799,358	710,542,660

The weighted average effective interest rates on the mortgages was 13.54% (2007- 11.25%).

27 RECEIVABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

	2008 Sh	2007 Sh
Local companies	524,476,555	518,254,738
International companies	1,254,755,301	1,078,691,530
	1,779,231,856	1,596,946,268
Less: impairment provision	(216,452,480)	(184,384,869)
	1,562,779,376	1,412,561,399

28 PREMIUM AND LOSS RESERVES

International companies	205,672,320	135,081,321
Local companies	84,882,221	80,395,761
	290,554,541	215,477,082

29 OTHER RECEIVABLES

Staff advances	21,655,285	33,252,052
Loans to directors	8,148,870	8,464,285
Rental receivables	2,918,174	9,068,861
Other receivables	1,219,330	15,894,045
	33,941,659	66,679,243

30 DEPOSITS WITH FINANCIAL INSTITUTIONS HELD TO MATURITY

Deposits maturing within 3 months	925,507,602	597,025,291
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The weighted average effective interest rate on deposits with financial institutions was 6.76% (2007 – 6.10%).

31 SHARE CAPITAL

	2008 Sh	2007 Sh
Authorised:		
800,000,000 Ordinary shares of Sh 2.5 each	2,000,000,000	2,000,000,000
	2008 Number of shares	2007 Number of shares
At 1 January	800,000,000	200,000,000
Additional shares as a result of share split	-	600,000,000
At 31 December	800,000,000	800,000,000
Issued and fully paid:		
600,000,000 Ordinary shares of Sh 2.5 each	1,500,000,000	1,500,000,000
At 1 January	600,000,000	150,000,000
Additional shares as a result of share split	-	450,000,000
At 31 December	600,000,000	600,000,000

At a Board of Directors meeting held on 31 May 2007, the directors resolved that each of the ordinary shares of Sh 10 in the present capital of the Corporation both issued and unissued, be subdivided into four shares of Sh 2.50 each.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Corporation.

32 LONG TERM REINSURANCE LIABILITIES

The life liabilities, which comprise Ordinary Life Fund and Superannuation Fund, were established in respect of its long-term business as required under Section 45 of the Insurance Act. Income arising from the investment of the assets of the statutory funds is credited to and forms part of these funds. Transfers from the statutory funds to the income statement are made on the recommendation of the Actuary. The latest actuarial valuation of the life fund was carried out by Alexander Forbes Financial Services (EA) Limited, consulting actuaries as at 31 December 2008 and according to the valuation, the fund had a surplus of Sh 474 million (2007 – Sh 172.8 million). The actuary recommended a transfer of Sh Nil (2007 – Sh 74,627,765) to the income statement.

Reconciliation of statutory fund to the actuarial surplus

The actuarial surplus resulting from the actuarial valuation carried out by the Consulting Actuaries as at 31 December 2008 is summarised as follows:

32 LONG TERM REINSURANCE LIABILITIES (continued)

Reconciliation of statutory fund to the actuarial surplus (continued)

	2008 Sh	2007 Sh
Life fund	2,400,427,724	2,256,844,354
Less: actuarial value of policy holder liabilities	1,926,354,328	2,084,070,649
Statutory reserve	474,073,396	172,773,705

Valuation assumptions

The significant valuation assumptions for the actuarial valuation as at 31 December 2008 are summarised below. The same assumptions were used in 2007.

(i) *Actuarial basis and method of valuation*

The Corporation underwrites both treaty and some mandatory cessions business. Compulsory cessions ordinary life business is written on a risk premium basis. Accordingly, this business can be viewed as a series of one year renewable term assurances reinsured on guaranteed risk premium rates and valued as such. Therefore, the actuarial reserves have been established as a proportion of gross annual premiums written. Each type or class of ordinary live business has been valued as a different percentage of annual office premiums written. The actuary has established actuarial reserves of 95% of the gross annual premiums written for all types of compulsory cessions ordinary life business at the valuation date.

Treaty business and group life business actuarial reserves has been established to 95% of the annual office premiums at the valuation date.

For supplementary benefits actuarial reserves has been established to equal to 100% of annual office premiums at the valuation date.

In addition to establishing actuarial reserves for ordinary life business, group life business and supplementary benefits additional actuarial reserves namely AIDS reserve, claims equalisation reserve and contingency reserve have been established.

(ii) *Investment returns*

The rate of return on the life fund assets in 2008 was 7.6% per annum (2007 – 7.0% per annum).

33 OUTSTANDING CLAIMS – SHORT TERM INSURANCE CONTRACTS

	2008 Sh	2007 Sh
At 31 December	2,287,548,861	2,014,679,333

34 UNEARNED PREMIUMS – SHORT TERM INSURANCE CONTRACTS

At 1 January	1,046,916,073	865,862,891
Increase in the year	33,799,496	181,053,182
At 31 December	1,080,715,569	1,046,916,073

35 PAYABLES ARISING OUT OF REINSURANCE ARRANGEMENTS

Local companies	45,261,1606	2,584,413
International companies	39,657,4803	4,358,545
	84,918,6409	6,942,958

36 DEFINED BENEFIT LIABILITY

The Corporation operates a funded defined benefit plan for substantially all employees. Scheme members' contributions are a fixed percentage of pensionable pay with the Corporation responsible for the balance of the cost of benefits accruing. The Scheme is established under trust. The Scheme funds are invested by the Corporation in a variety of asset classes comprising government securities, property and stocks and shares.

36 DEFINED BENEFIT LIABILITY (Continued)

	2008 Sh	2007 Sh
The actuarial valuation results were as follows:		
Present value of funded obligations	363,947,000	363,923,000
Fair value of Scheme assets	245,180,000	290,229,000
Net underfunding in funded plan	118,767,000	73,694,000
Unrecognised actuarial loss	(71,081,000)	(33,768,000)
Net liability in the balance sheet	47,686,000	39,926,000
Reconciliation		
Net liability at start of year	39,926,000	31,664,000
Net expense recognised in the income statement	22,174,000	26,025,000
Employer contributions	(14,414,000)	(17,763,000)
Net liability at end of year	47,686,000	39,926,000
Notes to the income statement		
Current service cost net of employees' contributions	14,086,000	15,090,000
Interest on obligation	38,267,000	38,586,000
Expected return on plan assets	(30,179,000)	(29,456,000)
Net actuarial losses/gains recognised in the period	-	1,805,000
Total included in "staff costs" in respect of Scheme	22,174,000	26,025,000
Actual return on plan assets	13,293,000	24,414,000
	2008	2007
Actuarial assumptions		
Discount rate (% p.a.)	11%	11.0%
Expected return on Scheme assets (% p.a.)	11%	11.0%
Future salary increases (% p.a.)	8%	9.0%
Future pension increases (% p.a.)	0%	0%

The actuaries of the Scheme carried out a revaluation as at 31 December 2008.

The Corporation also makes contributions to a statutory provident fund, the National Social Security Fund (NSSF). Contributions are determined by local statute. For the year ended 31 December 2008, the Corporation contributed Sh 14,414,000 (2007 – Sh 17,763,000) to the defined pension scheme and Sh 156,800 (2007 – Sh 210,800) for NSSF which has been charged to the income statement.

36 DEFINED BENEFIT LIABILITY (Continued)

Historical information	2008 Sh	2007 Sh	2005 Sh	2004 Sh
Fair value of plan assets	245,180,000	290,229,000	212,912,000	180,498,000
Present value of funded obligations	(363,947,000)	(363,923,000)	(276,435,000)	(214,334,000)
Net (under)/over funding in the scheme	(118,767,000)	(73,694,000)	(63,523,000)	(33,836,000)
Unrecognised actuarial loss	71,081,000	33,768,000	31,395,000	-
Defined benefit liability	(47,686,000)	(39,926,000)	(32,128,000)	(33,836,000)

37 OTHER PAYABLES

	2008 Sh	2007 Sh
Other creditors and accruals	56,318,934	138,673,526
Investment sundry creditors	42,799,078	62,281,484
Legal fees deposits	24,893,911	20,346,339
Rental deposits	13,974,487	10,685,257
Accrued leave pay	9,110,193	15,659,305
Accrual for rationalisation expenses	-	197,097,769
	147,096,603	444,743,680

38 CASH FLOW FROM OPERATIONS

	2008 Sh	2007 Sh
Profit before taxation	1,759,015,419	1,074,431,023
Adjustment for:		
Depreciation	8,658,210	35,071,861
Impairment loss on equipment	3,976,050	-
Gain on disposal of equipment	-	(179,500)
Gain on disposal of investment property	(26,380,000)	-
Gain on disposal of non current assets held for sale	(20,000,000)	-
Amortisation of software	4,518,959	2,707,749
Gain on sale of quoted equity instruments	(119,186,878)	(186,786,566)
Gain on sale of inventories (houses)	(10,074,417)	(45,526,724)
Impairment/(reversal of) provision on unquoted shares	1,842,475	-
Fair value gain in investment properties	(565,000,000)	(65,620,000)
Reversal of impairment on inventories	-	(99,129,200)
Share of profit of associate	(33,391,042)	(68,142,364)
Operating profit before working capital changes	1,003,978,776	646,826,279
Increase in mortgages	247,743,302	(95,059,008)
Increase in receivables arising out of reinsurance arrangements	(150,217,977)	(453,141,003)
Increase in premium loss reserves	(75,107,459)	(215,447,082)
Increase in other receivables	32,737,584	22,563,878
(Decrease)/increase in long term insurance liabilities	(157,716,321)	134,184,996
Increase in outstanding claims	272,869,528	22,932,655
Increase in unearned premiums	33,799,496	181,053,182
(Decrease)/increase in payables arising out of reinsurance arrangements	(12,024,318)	258,508,823
Increase in defined benefit liability	7,760,000	7,629,000
(Decrease)/increase in other payables	(297,647,077)	198,412,529
Cash generated from operations	906,175,534	708,464,249

39 CASH AND CASH EQUIVALENTS

Cash and bank balances	141,255,142	139,201,568
Treasury bills maturing within 91 days (note 21)	408,011,930	723,191,746
Short term deposits	925,507,602	597,025,291
	1,474,774,674	1,459,418,605

40 BANK OVERDRAFT

The Corporation has an overdraft facility with Kenya Commercial Bank Limited of Sh 15,000,000. The facility is secured by lien over fixed deposits of Sh 24 million.

41 RELATED PARTY TRANSACTIONS

The Corporation has various related parties, most of who are by virtue of being shareholders and partly common directorships. The other related parties include staff of the Corporation. The following transactions were carried out with related parties:

	2008 Sh	2007 Sh
a) Transactions and balances with directors and staff		
(i) Directors' remuneration		
Fees	2,760,000	1,920,000
Other emoluments	12,000,000	10,280,569
	14,760,000	12,200,569
(ii) Key management remuneration		
Salaries and other short term benefits	29,210,685	26,382,132
(iii) Loans to staff (included in mortgages - note 26 and other receivables - note 28)	170,851,111	284,465,143

Interest income on these loans was Sh 8,722,046 (2007 – Sh 13,240,247). The effective interest on the loans is 7.5% (2007 - 7.5%). Staff loans are secured by pension benefits while staff mortgages are secured by way of charging the related property to the company.

	2008 Sh	2007 Sh
(iv) Loans to directors		
Included in other receivables (note 28)	8,148,870	8,464,285

Interest earned on these loans was Sh 1,058,013 (2007 – Sh 1,577,010). The effective interest rate on the loans is 5% (2007 - 5%). Loans to directors are secured by mortgages on the property purchased. Interest is charged as per the terms of contract.

41 RELATED PARTY TRANSACTIONS (Continued)

a) Transaction with related companies

	2008 Sh	2007 Sh
(i) Net premium written	33,207,1622	8,666,344
(ii) Claims incurred	27,268,935	10,594,809

Insurance policies taken out by related parties are at arm's length and in the ordinary course of business at terms and conditions similar to those offered to other clients.

(iii) Outstanding balances with related parties in respect of underwriting business:

	2008 Sh	2007 Sh
Amounts due from related parties	8,101,228	10,957,024
Amounts due to related parties	8,320,884	4,638,913

42 PRIOR YEAR ADJUSTMENTS

Prior year adjustments have been made to amounts reported in the financial statement for the financial year ended 31 December 2008 as follows:

	Sh
(a) Shareholders' funds as previously reported at 31 December 2007	7,252,707,360
Prior year adjustments mainly arising from the recognition of insurance liabilities understatement arising from prior years	(198,226,263)
Prior year adjustments relating to the recognition of surplus on life business in the income statement previously included in long term insurance liabilities	172,773,705
Shareholders' funds as restated at 1 January 2008	7,227,254,802
(b) Profit for the year as previously reported at 31 December 2007	729,264,084
Adjustments relating to the recognition of surplus on life business in the income statement previously included in long term insurance liabilities	134,184,996
To account for the reversal of impairment loss on unquoted equity instruments from income statement through fair value reserve/equity	(25,500,000)
Profit for the year as restated	837,949,080

43 CONTINGENT LIABILITIES

The Kenya Revenue Authority raised assessments for additional tax for 2004 year of income. The Corporation together with its tax consultants appealed against these assessments to the Local Committee which confirmed the assessments. As a result, the corporation has accrued in the financial statements the principal tax. With the advice of the tax consultants, the directors of the Corporation are of the view that an application of the waiver of the penalties and interest amounting to Sh 93,493,558 will be granted. On this basis, no provision/accrual has been made in the financial statements.

44 INCORPORATION

The Corporation is incorporated and domiciled in Kenya under the Companies Act and the Government of Kenya owns 60% of the Corporation while the public owns 40%.

45 CURRENCY

The financial statements are presented in Kenya shillings (Sh).

General Insurance Revenue Account (Appendix I)

For the year ended 31 December 2008

	Motor Private KShs	Motor Commercial KShs	Fire Domestic KShs	Fire Industrial KShs	Personal Accident KShs	Theft KShs	Misc. KShs	Liability KShs	Engineering KShs	Workmen Compensation KShs	Marine KShs	Aviation KShs	Total 31/12/2008 KShs	Total 31/12/2007 KShs
Gross Premium	5,295,875	204,389,680	8,054,518	1,268,996,155	132,254,690	328,990,289	267,210,689	75,801,133	321,996,020	727,491	265,226,047	11,359,833	2,890,302,420	2,822,419,494
Less: Reinsurances	-	-	-	152,694,896	-	10,411,500	3,463,316	-	1,914,765	-	19,957,750	-	188,442,227	205,129,303
Net Written Premium	5,295,875	204,389,680	8,054,518	1,116,301,259	132,254,690	318,578,789	263,747,373	75,801,133	320,081,255	727,491	245,268,297	11,359,833	2,701,860,193	2,617,290,191
Unearned Premium b/f	358,098	104,964,836	5,160,702	417,847,689	60,280,612	156,446,506	111,152,786	17,692,859	70,355,134	374,672	98,254,383	4,027,796	1,046,916,073	865,862,895
Unearned Premium c/f	2,118,350	81,755,872	3,221,807	446,526,632	52,901,876	127,431,516	105,498,949	30,320,453	127,997,684	290,996	98,107,319	4,543,815	1,080,715,569	1,046,916,073
Net Earned Premium	3,535,623	227,598,644	9,993,413	1,087,622,316	139,633,426	347,593,779	269,401,210	63,173,539	262,438,705	811,167	245,415,361	10,843,814	2,668,060,697	2,436,237,009
Claims Paid	3,817,437	127,865,876	474,134	488,060,491	77,665,921	127,935,886	139,665,575	34,022,428	56,762,703	2,122,802	74,251,156	3,443,406	1,136,087,815	1,206,430,591
Claims Recoverable	-	-	-	72,733,283	-	-	-	-	-	-	-	-	72,733,283	81,513,325
Claims O/s at Year End	41,059,501	718,107,254	-	411,689,318	181,469,470	304,405,829	266,585,407	40,797,733	96,845,454	28,367,347	159,434,869	38,786,677	2,287,548,859	2,014,679,333
Claims O/s at Beginning of Year	39,244,366	687,663,989	-	273,312,560	164,128,696	296,270,645	238,656,903	30,815,500	74,015,716	27,890,531	143,675,999	39,004,428	2,014,679,333	1,991,746,679
Total Claims Incurred	5,632,572	158,309,141	474,134	553,703,966	95,006,695	136,071,070	167,594,079	44,004,661	79,592,441	2,599,618	90,010,026	3,225,655	1,336,224,058	1,147,849,921
Commissions	-	8,886,448	1,711,129	395,816,980	32,680,216	112,377,978	88,405,075	13,921,452	105,457,267	204,483	84,740,611	2,518,988	846,720,627	801,995,255
Commissions Receivable	-	-	-	-	-	-	68,960	-	536,560	-	-	-	605,520	908,771
Provision - Doubtful debts	58,757	2,267,683	89,364	14,079,385	1,467,352	3,650,114	2,964,676	841,006	3,572,513	8,071	2,942,656	126,033	32,067,611	24,789,792
Management Expenses	652,372	25,177,741	992,196	156,664,023	16,291,793	40,526,665	32,916,346	9,337,562	39,665,076	89,616	32,671,868	1,056,579	356,041,836	312,397,424
Rationalization Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	131,070,016
Total Expenses	6,343,702	194,641,012	3,266,823	1,120,264,354	145,446,056	292,625,827	291,811,216	68,104,681	227,750,738	2,901,788	210,365,161	6,927,255	2,570,448,612	2,417,193,637
Underwriting Profit/(Loss)	(2,808,079)	32,957,632	6,726,591	(32,642,038)	(5,812,630)	54,967,952	(22,410,005)	(4,931,141)	34,687,968	(2,090,621)	35,050,200	3,916,560	97,612,085	19,043,372

Life Revenue Account (Appendix II)



For the year ended 31 December 2008

	Ordinary Sh	Super annuation Sh	2008 Sh	2007 Sh
Gross premium	45,638,592	525,669,226	571,307,818	580,921,866
Reinsurance	(10,407,180)	(119,870,799)	(130,277,979)	(42,624,817)
Net premium	35,231,412	405,798,427	441,029,839	538,297,049
Claims incurred	(764,260)	(228,587,399)	(229,351,659)	(317,584,089)
Decrease in actuarial liability	27,956,758	129,759,563	157,716,321	-
Commission	(12,975,983)	(136,279,376)	(149,255,359)	(132,462,009)
Management expenses	(7,146,759)	(82,316,990)	(89,463,749)	(22,911,609)
Rationalisation expenses	-	-	-	(6,898,422)
	7,069,756	(317,424,202)	(310,354,446)	(479,856,129)
Underwriting surplus/(deficit)	42,301,168	88,374,225	130,675,393	58,440,920
Investment income	15,700,098	154,924,200	170,624,298	150,371,841
Increase in life funds	58,001,266	243,298,425	301,299,691	208,812,761



Notes

CMA-LIBRA

SMITH LIBRARY

Notes



Kenya Re

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Proxy Form

Share Member No. _____

The Corporation Secretary
Kenya Reinsurance Corporation Limited
15th Floor, Reinsurance Plaza Building
Taifa Road
P.O. Box 30271 - 00100
NAIROBI

KENYA REINSURANCE CORPORATION LIMITED

CMA-LIBRARY

I/WE _____ of _____

being a *member/members of the above-named Company, hereby appoint

_____ of _____

or failing him _____ of _____

as *my/our proxy to vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held on the 22nd day of June 2009 and at any adjournment thereof.

Signature(s) _____

Signed this _____ day of _____

*This form is to be used * in favour of/against the resolution.*

Unless otherwise instructed the proxy will vote as he/she thinks fit.

CMA-LIBRARY 2009

* Strike out whichever is not desired.

Notes:

1. The address should be that shown in the register of members.
2. In the case of a member being a Corporation, this form of proxy must be executed either under its Common Seal or signed on its behalf by an attorney or officer of the Corporation duly authorized.
3. A person appointed to act as a proxy need not be a member of the Company.
4. In case of joint holders, the signature of any one holder will be sufficient but the names of all joint holders should be stated.

Shareholder's Admission Letter for AGM on 22nd June 2009

Please complete this form and note that it must be produced at the Annual General Meeting by you or your proxy in order to record attendance. Kindly note that only the registered shareholders or their proxy notified to the Company not less than 48 hours before the time for holding the meeting will be admitted to the meeting.

Name: _____ Signature: _____

Annual General Meeting of Kenya Reinsurance Corporation Limited to be held at the Bomas of Kenya, Langata Road, Nairobi on Monday 22nd June, 2009 at 11.00 a.m.

Fomu ya Uwakilishi ya Mhusika wa Kisiri



Nambari ya Hisa ya Mwanachama:

Katibu wa Shirika
Kenya Reinsurance Corporation Limited
Orofa ya 15, Reinsurance Plaza
Taifa Road
S.L.P 30271-00100
NAIROBI.

KENYA REINSURANCE CORPORATION LIMITED

Mimi/ Sisi, wa

Kama *mwanachama/ wanachama wa Kampuni iliyotajwa hapo juu, namchagua

..... wa

au kutomuwezesha yeye..... wa

kama muwakilishi *wangu/wetu wa siri atakayenipigia au atakayetupigia kura kwa niaba yangu/ yetu katika Mkutano Mkuu wa Mwaka wa Shirika utakaofanyika tarehe 22 Juni 2009 na hitimisho lake baadae.

Sahihi.....

Alitia sahihi tarehe..... mwezi wa..... Mwaka wa.....

*Fomu hii inafaa kutumiwa * kuambatana na au kinyume na makubaliano.*

Ila tu kwa maelekezo mengineyo, mhusika huyo wa siri atapiga kura kwa njia akatayoiona inamfaa.

*Ondoa siku hii ikihitajika.

Maelezo Zaidi:

1. Anuwani inafaa kuwa ile iliyoonyeshwa kwenye rejesta ya wanachama.
2. Na ikiwa mwanachama ni shirika, fomu hii ya mhusika wa siri ni lazima ikamilishwe kwa kuwekwa Mhuri Maalum au kutiwa sahihi kwa niaba yake na Wakili ama Afisa anayeruhusiwa wa shirika hilo.
3. Mtu aliyeteuliwa kuwa mhusika wa siri sio lazima awe mwanachama wa shirika.
4. Ikiwa pana ubia, sahihi ya mmoja wa wanachama hao itatosha lakini ni lazima majina yao yote yaandikishwe.

Barua ya Ukubalifu kwa Wenye-hisa Kuhudhuria Mkutano Mkuu wa Mwaka, utakaofanyika tarehe 22 Juni, 2009.

Tafadhali ikamilishe fomu hii na fahamu ya kwamba utalazimika kujitambulisha nayo katika Mkutano Mkuu wa Mwaka au mhusika wako wa siri atakayekuwasilisha ili kuonyesha kwamba umehudhuria. Tafadhali fahamu ya kwamba, ni wenye-hisa waliosajiliwa pekee na wamhusika wao wa siri wafahamike kwenye ofisi za usajili za shirika kwa muda usiopungua saa 48 kabla ya Mkutano huo Mkuu, watakuhalika kuhudhuria mkutano.

Jina:..... Sahihi:.....

Mkutano Mkuu wa Mwisho wa Mwaka wa Shirika la Kenya Reinsurance Corporation utakaofanyika kwenye ukumbi wa Bomas of Kenya, kwenye muelekeo wa Barabara ya Langata, Nairobi, siku ya Jumatatu, Tarehe 22 Juni, 2009.